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# THE INTERNATIONAL SEA SYSTEM IN PERSPECTIVE

St. Munadjat DANUSAPUTRO

## THE EMERGING WORLD CONSCIOUSNESS

The world of to-day is passing through a very confused and dynamic period, not least in the field of the International Law of the Sea. The whole International Sea System, embracing within it the many aspects of international sea arrangements including the positive Maritime Law System as well as the "consciousness, pattern of thinking, and policy practices" relevant to the arrangements of international life on the sea, is at present searching for new directions.

Developments in the field of the international sea system have long attracted the attention of the United Nations. The UN-Secretary General has recently undertaken several consultations with the Member States, and has gained widespread support for the holding of a comprehensive conference on the Law of the Sea.

On December 17, 1970, the UN-General Assembly adopted Resolution 2750 C (XXV), in which it was declared that the problems of ocean space were closely interrelated and needed to be considered as a whole. The General Assembly also took note of the fact that the political and economic realities, scientific developments and technological advances of the last decade have accentuated the need for an early and progressive development of the Law of the Sea, in a framework of close international co-operation.

It was noted that many of the present Member States of the UN did not take part in previous UN-Conferences on the Law of the Sea, held in 1958 and in 1960. At the 1958 conference there were only 86 countries present, while the 1960

conference was attended by 88 states. By 1974 the total membership of the UN had increased to 147 countries, causing automatically the emergence of changes and developments in world politics which, of necessity effected the conditions of international life on the sea.

In the light of these emerging world developments and changes, the General Assembly expressed its conviction that the elaboration of an equitable international regime for the sea-bed and the ocean floor and the subsoil thereof, beyond the limits of national jurisdiction, would facilitate agreement on the questions to be examined at such a conference. The General Assembly also affirmed that any agreement on those questions should seek to accommodate the interests and needs of all states, whether land-locked or coastal, taking into account the special interests and needs of the developing countries.

After having considered the report of the Committee on the Peaceful Use of the Sea-bed and the Ocean floor beyond the limits of national jurisdiction, and after having stipulated further directives for the preparatory work, the GA at its 25th session decided to convene a conference on the Law of the Sea.

The Third UN-Conference on the Law of the Sea dealt with:

- (1) the establishment of an equitable international regime — including international machinery — for the area and the resources of the sea-bed and the ocean floor, and the subsoil thereof, beyond the limits of national jurisdiction;
- (2) a precise definition of the area; and
- (3) a broad range of related issues including
  - a. the regime of the high seas,
  - b. the continental shelf,
  - c. the territorial sea (including the question of its breadth and the question of international straits),
  - d. fishing and conservation of the living resources of the high seas (including of the preferential rights of coastal states),
  - e. the preservation of the marine environment (including, inter alia, the prevention of pollution; and
  - f. scientific research.



The Third UN-Conference on the Law of the Sea was held from June 20 - August 29, 1974 in Caracas, Venezuela, following a preliminary session in New York. The New York session adopted Rules of Procedure based on the PRINCIPLE OF UNANIMITY. The adoption of this principle may be regarded as an historical event of great significance. For perhaps the first time in the history of the world organization, a conference attended by plenipotentiaries of more than 147 independent states and other organizations implemented Rules of Procedure based on the Principle of Unanimity. This Rule of Procedure based on the Principle of Unanimity is known in Indonesian terminology as the System of MUSYAWARAH & MUFAKAT.

## THE PROBLEM OF THE SEA

The seas comprise five-seventh of the earth's surface. They are vitally important for all life. Consequently the regulation of their use is crucial for the future quality of life of mankind. The nations of the world have to regulate and manage their proper use, for otherwise they shall abuse the seas, and that they do at their own peril.

The English word "sea", like its equivalents in other languages, is a word of popular speech. Neither the geographer nor the lawyer finds it easy to define. Of the vast water area of the globe only a very small proportion falls within the national jurisdiction of the existing independent states. Very often the seas have been the arena of conflict among states, however, their delegations are now assembling in Geneva to embark on an exercise of international understanding and co-operation to regulate the proper uses of the seas for peaceful purposes.

The seas provide enormous opportunities, for they are the potential reservoir of natural resources. An acute problem facing mankind to-day is how to singly looking towards the resources of the seas to provide them with opportunities for socio-economic development and advancement.

The tasks which the current UN-Conference on the Law of the Sea is called upon to resolve are difficult and complicated ones. This is due to many factors; especially to a very wide

range of economic, technological, social and other aspects of national life; to geographical diversity; and to the complexity of the issues, which are interlocking and interdependent.

Moreover, the UN-Conference on the Law of the Sea has to deal with the fact that conflicts interest generated by these diversities are not simply and only between big powers and small states, or between developed and developing ones. They also exist between states with coast lines facing the open ocean and geographically disadvantaged states, such as land-locked states, shelf-locked states, states situated in the areas of enclosed or semi-enclosed seas, states with short coastlines, as well as states with minimum sea contact. And again, there are conflicts between the interests of states with coastal fishing industries and states engaged in distant water fishing activities.

The convening gavel of the conference, however, will signal both the denouement of intensive pre-conference diplomacy and the arrival of the new era of ocean politics. The fashioning of a new public order for the oceans, adaptive to technological, economic and political development, can hardly be accomplished by one conference or wrapped up in a single treaty. This effort will occupy scientists, lawyers, politicians and statesmen for most of the remainder of this century.

For some centuries the seas have been governed by a body of rules, the main principles of which have been generally accepted, though on many points, sometimes of great practical importance, the application of these principles was controversial. Historically this body of rules was the creation of Western Europe in the later Middle Ages.

If the authority of this body of laws of the sea has become shaky to-day, it is because the foundations upon which it was built have been undermined by vast movements of popular thought which are openly hostile to the long accepted standards. It must continue to be weak until those standards are restored and a NEW LEGAL ORDER regarding the seas has been formulated, which will reflect the reality of the evolution of technology, the transformation of the economic significance of the seas, and the changes and developments in the political forces determining international relations.



In the light of these changes and developments, the effort to refashion the International Sea System has become deeply entangled with the chronic international problems of:

1. finding rational, just and peaceful ways of allocating the world's supply of energy, food, and industrial raw materials;
2. searching for syntheses between the competing demands of economic development and ecological care;
3. narrowing the gap between, and harmonizing the interests of, economic and political development between the developed and the developing nations;
4. reconciling and harmonizing national security requirements with the need to contain the arms race; and
5. in general, managing the growing ability of nations to affect one another towards a better international understanding and co-operation.

Increasingly, what happens in and to the sea will affect broad public interests. What has thus far been the concern of a small circle of statesmen and officials, scientists and lawyers, experts and interested private parties will now increasingly impinge on basic national policy concerns and popular interests of the people at large.

If an effective public interest constituency is to coalesce around the national sea policy of every state and the International Sea System in general, it will need to know more about how maritime developments are stimulating new international competition in the ocean. And to understand the process and the possible outcome of the current Geneva Conference on the Law of the Sea, it might be useful to know what issues are likely to dominate the bargaining at the discussions and negotiations at the Palais des Nations.

Examining the agenda of the current conference and taking into consideration the main trends and problems of international developments, it seems that there are at least three basic factors which will shape the process and the possible outcome of the forthcoming round of negotiations viz.:

- a. the rising value of ocean space resources;
- b. the awareness of ecological imperatives; and
- c. the spatial concentration of ocean activities.

These three factors are generating overwhelming pressures on all coastal states to consolidate control over the sea-bed and waters adjacent to their coasts. This push for national extensions seaward sharpens the historical collision between the existing doctrines of maritime order, which have frequently been diametrically opposed.

### THE TRADITIONAL DOCTRINES ON THE SEA

According to available information, in antiquity and during the first half of the European Middle Ages, *navigation on the open sea was free to everybody*. Western scientists and lawyers based their knowledge on the teaching of the Roman lawyers by citing, for instance, Ulpianus, who stated that: "Mare quod natura omnibus patent" (The sea is open to everybody by nature), and Celsus, who argued that: "Maris communem usum omnibus hominibus ut earis" (The sea, like, the air, is common to all mankind).

Since no Law of the Sea in the modern sense existed during antiquity and the greater part of the European Middle Ages, no importance is to be attached to the statement of the Roman Emperor Antonius who said: "I am master of the Earth, but the Law is mistress of the Sea". Nor is it of importance that the Emperor of the old German Empire, who were considered to be the successors of the Roman Emperors, styled themselves among other titles "Kings of the Ocean".

Real claims to sovereignty over parts of the ocean begin, however, to be made in Europe in the second half of the Middle Ages. And there is no doubt whatever that, at the time when the modern Law of Nations gradually arose, it was the conviction of the states that *they could extend their sovereignty over certain parts of the open sea*.

So in the old times there emerged two different doctrines regarding the seas. One of the traditional doctrines insist that



the sea be free of any dominion and open to use by all. The other gave nations the right of dominion over the sea and its resources. Most states at one time or another have professed solemn allegiance to one or the other principle. In practice they have been applied with considerable fickleness by countries, as national interests in the ocean shifted.

Thus the Republic of Venice claimed sovereignty over the Adriatic Sea, and the Republic of Genoa over the Ligurian Sea. Portugal claimed sovereignty over the whole of the Indian Ocean (= the western Tagaroa, as it was called in ancient Indonesian terminology) and the Atlantic south of Morocco, while Spain over the Pacific (= the eastern Tagaroa) and the Gulf of Mexico, both basing their claims on two Papal Bulls promulgated by Pope Alexander VI in 1493. By the Treaty of Tordesillas in 1494 the sovereigns concerned shifted the demarcation line to 370 leagues west of the Cape Verde Islands. Sweden and Denmark claimed sovereignty over the Baltic, and Great Britain over the Narrow Seas, the North Sea and the Atlantic from North Cape to Cape Finisterre.

These claims were more or less successfully asserted for several hundred years. They were favoured by a number of different circumstances, as for instance the maintenance of an effective protection against piracy. Numerous examples can be adduced to show that they were more or less recognized.

The recognition of maritime sovereignty found expression in such forms as maritime ceremonials. A state which claimed sovereignty over a part of the open sea required foreign vessels navigating that part of the sea to honour its flag as a symbol of recognition of its sovereignty. But apart from (a) maritime ceremonials, maritime sovereignty found also its expression in (b) the levying of tolls from foreign ships, in (c) The interdiction of fisheries to foreigners, and in (d) The control, or even the prohibition, of foreign navigation.

Thus Portugal and Spain attempted, after the discovery of America, to keep all foreign vessels out of the seas over which they claimed sovereignty. At the time these sweeping claims seemed to have passed unchallenged. Queen Elizabeth I of England must be given the credit for being the first to challenge the Spanish claim. The immediate cause of



controversy was the voyage of Drake in the "Golden Hind" to the Pacific, which provoked a strong protest in 1580 from the Spanish government. In her reply to the Spanish Ambassador Mendoza, the Queen answered that vessels of all nations could navigate to the Pacific, since "the use of the sea and the air is common to all, and that no title to the ocean can belong to any nation, since neither nature nor regard for the public use permits any possession of the ocean".

How firm this Queen's answer was, but Great Britain was accused by the Dutch for being inconsistent, because she herself had claimed sovereignty over the "British Seas" and had attacked the Dutch in 1636 when they attempted to fish without licence from the British government. Long before this incident, a Dutch lawyer, Hugo Grotius, took up the case for the freedom of the sea against the Portuguese claim upon the Indian Ocean and the Indies. In 1609 appeared his treatise: "Mare liberum" (its full title was: "Mare liberum seu de jure quod Batavis competit ad indicana commercia dissertatio", which actually was Chapter 12 of his book: "De jure praedae").

In this treatise the young Dutch lawyer cited the teachings of the Roman lawyers in his attempt to show that the Dutch *had* a right of navigation and commerce with the Indies; consequently that the Dutch also had the right to navigate the Indian Ocean and all its waters. (The ocean policy-makers and lawyers of to-day may see much historical irony in the fact that the entry of Grotius in the field of the Law of the Sea was triggered by the Dutch-Portuguese dispute over the transit right in the Malacca Straits, — one of the thorniest issues on the agenda of the current Conference on the Law of the Sea).

Grotius,—philosophical, idealistic and theoretical—reached deep into the history of the Law of the Sea in antiquity and the Roman Law to buttress his assertion that the ocean must be held free for common use. Nations may not exercise dominion on the sea, because to do so would violate right reason, equity and nature. What he called the "boundless ocean" was indivisible, open and intangible. Its national resources were infinite. Maritime freedom served the national

interest, the international public order and the "society of all mankind". He concluded that any contravention of the free use of the seas, any denial of maritime liberty by one nation against another, was both unnecessary and morally unjustifiable, and could lawfully be countered by the use of force.

The attack of Grotius was met by several authors of different nations, for instance Gentilis defended the Spanish claim, while John Selden wrote his "Mare clausum" in defending the British claim. Selden, — less concerned with abstractions, ideals and philosophy — argued his case on the strength of historical experience and the realities of state power. For him the cardinal values were national safety and national self-interest. The right of dominion gave nations the right to exclude others from claimed portions of the sea, to prevent fishing, navigating, landing and "the taking of gems". Tolls and other restrictions of access could be imposed. He challenged Grotius' description of the sea by pointing out that "ocean resources were exhaustible; its shape could be divided; and its use could be effectively controlled".

Both doctrines reflected the contemporary circumstances of their proponents; Grotius the advocate of sea-freedom on behalf of "the farflung trading and navigation interest" of the Dutch East India Company; Selden the defender of the "national seas" surrounding the British domain against foreign intrusions. We all know, Grotius had the future on his side up to World War II, and the freedom-of-the-seas principle provided generations of maritime powers with doctrinal support in diplomacy and legitimacy in International Law. And when doctrinal authority alone could not secure open seas, Seapower did so quite convincingly.

The history of the International Sea System has shown that although Great Britain upheld her claim to the "British Seas" during the 18th and the beginning of the 19th century, at the end she silently dropped her claim to maritime sovereignty, and became just a champion of the freedom of the open seas. When, in 1821, Russia, which then still owned Alaska in North



America, attempted to prohibit all foreign ships from approaching within 100 miles of the shores of Alaska, Great Britain supported by the United States protested in the interest of the freedom of the open sea. And Russia dropped her claim in the Convention concluded with the protesting powers in 1824 and 1825. Moreover, after Russia had sold Alaska to the United States in 1867, the latter introduced regulations regarding the killing of seals within the Behring Sea, claiming thereby jurisdiction and control over a part of the open sea, a conflict arose with Great Britain which was settled by arbitration in 1893.

Notwithstanding the rapid growth of recognition and acceptance of the principle of the freedom of the sea, particularly among the maritime powers, the seaward claims of coastal states have continued to be asserted. Even when narrow territorial seas were stable features of maritime life, special claims beyond that limit were frequently pressed. In the 18th century for instance, Britain again demonstrated her pragmatically self-interested approach towards the implementation of the principle of 'the freedom-of-the-seas' by claiming extended zones for the capture of smugglers. This event opened up the erosion of claims of coastal states in the 19th century for extended customs and sanitary boundaries.

Proceeding into the 20th century, in the early years of the century most governments tended to endorse both the freedom of the sea and the right of coastal states to establish narrow bands of territorial waters for their self-protection.

Within the last few decades, however, technological and political developments in the world at large have begun to undermine the doctrine of the freedom of the seas. The United States, being the country with the most advanced technology and industry, bears a major responsibility for starting the massive erosion with its claim to broad jurisdiction over continental-shelf oil resources beyond the limit of the territorial sea. In addition, in recent years the number, variety and breadth of claims have increased dramatically, and have stimulated the emergence of a totally new trend of development in the forthcoming International Sea System.



## THE MODERN INSIGHT ON THE SEA

Shortly after the close of World War II, on September 28, 1945, the American President Harry S. Truman, made two important proclamations which were to have a profound influence on the development of the modern Law of the Sea. On that historic day the American President announced firstly the proclamation of the United States policy on the conservation of living resources off the coast of the United States, and secondly the proclamation on the Continental Shelf.

Although both proclamations were to greatly influence later development of the Law of the Sea, the proclamation on the Continental-shelf opened up an entirely new era of the Law of the Sea introducing the right of coastal states regarding the mineral resources of the sea. The operative paragraph of the American proclamation on the Continental shelf reads as follows:

"The United States regards the natural resources of the subsoil and the sea-bed of the continental shelf beneath the high seas but contiguous to the coast of the United States as appertaining to the United States, subject to its jurisdiction and control".

The reason given was stipulated as follows:

"The exercise of jurisdiction over the natural resources of the subsoil and sea-bed of the continental shelf by the contiguous nation is reasonable and just, since the effectiveness of measures to utilize or serve those resources would be contingent upon co-operation and protection from the shore since the continental shelf may be regarded as an extension of the landmass of the coastal nation and thus naturally appurtenants to it; since these resources frequently form a seaward extension of a pool or deposit lying within the territory, and since self-protection compels the coastal nation to keep close watch of the activities off its shores which are of the nature necessary for the utilization of these resources".

The proclamation did not relate these regions to any specified depth of water. At that time, the only off-shore oil produced in the United States came from a few wells drilled from piers in California. The first well brought into production was in Louisiana in a depth of 50 feet of water.

The Truman proclamation was quickly followed by some two score proclamations of a similar character issued by neighbouring countries in the Western Hemisphere and later by other governments in other parts of the world. These unilateral proclamations or claims, though differing in some respects from the Truman proclamation — for instance with regard to the status of the superadjacent waters — all had one thing in common, namely the extension of the coastal states' jurisdiction over the mineral resources in the sea-bed and subsoil off the shore.

A novum had been introduced, and a new field of the Law of the Sea had been opened. The era of the LAW OF MINERAL RESOURCES OF THE SEA had emerged. This was an extremely important new development in the International Law of the Sea, because up to now man had restricted his resources exploitation to the water of the sea.

Even in the field of resources exploitation to the water of the sea, the proclamation of President Truman on living resources off the coast of the United States heralded a new era of more rational utilization of the world fish and living resources of the sea.

The world of technology after World War II entered a stage of transformation more dramatic in its historic and human consequences than that wrought either by the American, French, Bolshevik or other revolutions, which merely scratched the surface of the human condition. Most of the changes that had taken place up to that time had been gradual — with the great "revolutions" being mere punctuation marks to a slow, hardly detectible process. In contrast, the approaching transformation in technology would come more rapidly and would have deeper consequences for the patterns, and perhaps even for the meaning, of human life and human efforts than anything experienced by preceding generations.



These technological and technetronical advances were bound to find their implementation and application too in fisheries and in the exploitation of living resources of the sea, to meet the need of and the demand for fish as a source of animal protein which was intensified by the emergence of newly independent states and the explosion of population after the war. Greater awareness of the food needs of the populations of these newly independent states in the regions of Asia and Africa was but a part of the rising expectations of the world after 1945, added to the exploding demands of ever growing food-supply of the world at large.

Marine living resources were, and still are, rightly considered as a relatively cheap source of animal protein. Another fact causing an increased demand for fish and other living resources of the sea as a cheap source of animal protein was the development of other uses, for instance the production of fish meal and pellets for animal food. As fish meal is mainly made of discarded parts of fish not used for human consumption or from species of a very low commercial value, the production of fish meal meant a more intensified use of living resources of the sea as a source of animal protein.

Viewed against this background of developments, it is not surprising that the competition for the world fish and living resources of the sea after World War II polarized itself into the competition between the "long distance fisheries" and the "coastal fisheries". This competition gave birth to the term and standard of classification of maritime states and coastal states. This competition between two unequal parties was played out within a legal frame-work of the Law of the Sea, the foundations of which were laid down in the 16th and the 17th century.

The doctrine of the freedom-of-the-open-seas which favoured as large as possible of free seas and a narrow belt of territorial sea, clearly favoured the "long distance fisheries" of the maritime states. With the risk of some oversimplification, it can be pointed out that countries with "long distance fisheries" are generally "developed nations", where the fishery interests are mainly commercial. In reverse, "coastal fisheries" are usually identified as the main interest of the group of "developing nations" and as a subsistence type of fishery.



As time went on, it became clear that, if left unchecked, fisheries resources of the seas would completely fall into the hands of the "long distance fishing" interests of the maritime states. Ships of long distance fisheries interests not only came closer to the coasts of other nations, but their ships grew increasingly large and became more and more sophisticated. One of the newest development was the emergence of the "factory ship" which in fact constituted "a floating cannery" accompanied by a number of boats, engaged in the catching of fish.

It is against this background of developments that one must view the increasing number of claims to wider areas adjacent to the coast of developing nations in the form of wider territorial seas or fisheries zones. Understandably the effects were mostly felt by the giant international resources industries which operate in and under the seas together with the big international fishing industries which work on the basis of long distance fishing activities. They all are facing new coastal-state controls.

Besides, the marine scientists whose researches may be suspected in the littoral states as beneficial to foreign commercial or military users, are losing the privileges of "free science" in the ocean. Navies and shippers are threatened with restrictions in preferred sea-land and communication lines. Moreover, since the limitations and penalties of gun-boat diplomacy have become very high, coastal states can assume that in most cases their expansive claims are unlikely to provoke military responses.

Examining the emerging trends of development in the Law of the Sea after World War II, it might appear that the doctrine of the "Dominion of the sea" of John Selden was winning out over the doctrine of the "Freedom of the seas" of Grotius. In fact, neither traditional doctrines come to grips with the "fundamental revolution" in man's spatial relationship to the sea, nor can the main questions for ocean diplomacy any longer revolve around how to preserve the "freedom of the seas". In the light of the emerging insight on the sea, the larger task now facing the international community is:

"TO FIND WAYS OF LIMITING THE FREE USE OF THE OCEAN AND THE NATIONAL SOVEREIGNTY OVER SOME OF ITS PARTS",

taking into account the fact that the ocean has become the COMMON HERITAGE OF MANKIND as a shared and finite world-resource.

The ocean of to-day no longer can be conceived primarily as a "two-dimensional space" defined by longitude and latitude. A third dimension — depth plus altitude — has acquired equal importance as uses proliferate in the air-space above the water, the water-column and the sea-bed. Finally, man and the sea's living resources move pervasively through these environments, creating a kind of fourth dimension.

All of these developments in insight upon the ocean have revolutionized the old International Sea System with its traditional doctrines and practices. Consequently, inherited doctrines and practices need to be supplanted.

## THE GENEVA CONVENTIONS OF 1958

The United Nations interested itself in the subject of the Law of the Sea when the UN-International Law Commission in 1950 took up the regime of the High Seas as one of the items on its program. In the Report of the Commission covering its session-II, June 5 — July 29, 1950, was submitted as Chapter III: Regime of the High Seas.

The International Law Commission, at its first session, elected Mr. J.P.A. François as special rapporteur to study the topic of the regime of the high seas. At its second session, Mr. François submitted his report on the topic (Doc. A/CN. 4/17). The Commission had before it also the replies of Governments to a questionnaire circulated by it (Doc. A/CN. 4/19, part I, C).

The Commission considered this topic at its 63rd to 69th meetings, using as a basis of discussion the report of the special rapporteur. In this report, Mr. François set out the various subjects which might be studied with a view to the

codification or the progressive development of Maritime Law. The Commission was of the opinion that it could not undertake a codification of the Maritime Law in all its aspects and that it would be necessary to select those subjects the study of which could be begun by the Commission as a first phase of its work on the topic.

The subjects selected included the following items:

1. Nationality of Ships;
2. Collision;
3. Safety of Life at Sea;
4. The Right of Approach;
5. Slave trade;
6. Submarine telegraph cables;
7. Right of pursuit;
8. Contiguous Zone;
9. Sedentary fishing; and
10. The Continental Shelf.

After six years of hard and continuous work, the Commission succeeded in submitting a draft on the subject. A conference of plenipotentiaries was convened in 1958 in Geneva to discuss the fashioning of the new International Law of the Sea, using the draft of the International Law Commission as a basis of discussion.

It should be pointed out that, in preparing the draft, the International Law Commission was assisted by several Special Agencies and other bodies of the United Nations, including ECOSOC, UNESCO, FAO, the Intergovernmental Oceanographic Commission and several other international bodies. The participation of the Special Agencies was very important as it emphasized the fact that the draft drawn up by the International Law Commission was *not* "a legal draft in the ordinary sense of the word" as it took into consideration the economic, geographic and other scientific aspects of the problem. The political aspects of the problem were considered by means of inviting the comments of the governments and through discussions on the draft in the Legal Committee of the



Un-General Assembly. It is for this reason that the draft of the International Law Commission as it was submitted to the UN-Conference on the Law of the Sea in 1958 constituted a landmark in the history of the Law of the Sea.

The entire 1958 Conference on the Law of the Sea appreciated the formidable achievement of the International Law Commission, thereby expressing its admiration. Taken as a whole, the draft reflected substantially the new emerging world development of man's insight and outlook upon the sea, while breathing the spirit of the emerging international community, which had undergone the revolutionary developments of the 1950-s.

One of the developments which fundamentally affected the international community was the birth of the many newly independent states in Asia and Afrika. Former dependencies and colonies had achieved the status of full sovereign states, conscious of their new position in the family of nations and of their obligations towards the world-community as well as of their sovereign rights. The impact of modern civilization on the Asian and African Continents has not only brought about a process of adaptation to the modern requirements of the New Age, but also emphasized the necessity for living in accordance with the prescribed rules of International Law.

The basic problem which the 1958 Conference had to face was, on the one hand, the necessity of taking stock of the heritage which the older nations had left in the field of International Law, and on the other hand, taking account of the customs, usages and practices of the newly born states which indicated a slow but progressive development towards the adoption of new criteria in the evaluation of the interests of states in their intercourse with one another. And, last but not least, there was the fundamental change in the relations between the group of elder nations and the newly independent states, a change which deeply affected the problem with which the Conference was confronted.

Notwithstanding the many differences and delicate controversies between the group of elder nations and the group of the newly born states, the Conference succeeded in reconciling the opposing views and interests of the delegations. As

a result, the Conference adopted 4 Conventions, subsequently referred to as THE GENEVA CONVENTIONS OF 1958, comprising:

1. Convention on the Territorial Sea and Contiguous Zone;
2. Convention on the High Seas;
3. Convention on Fishing and the Conservation of Living Resources of the High Seas; and
4. Convention on the Continental Shelf.

With the promulgation of the Geneva Convention of 1958, a new emerging International Sea System was introduced in the world.

The few items on which the Conference could not come into agreement, included, among others (a) the breadth of the Territorial Sea; (b) the right of innocent passage of warships through straits which form a Territorial Sea of another state; (c) the doctrine on archipelago. The Conference agreed to postpone a decision on these questions for submittance to the Conference of 1960, which unfortunately failed to produce the desired solution.

## THE INTERNATIONAL SEA SYSTEM IN PERSPECTIVE

Since the year of 1960 until the present, but particularly during the last fourteen years, many fundamental changes have taken place in the atmosphere of world development which have substantially influenced man's life at large. Especially, important are the basic ideas and the general conditions of man's insight and outlook on the sea.

Taking into account government's experiences in the discussions and diplomacy during the 1958 and 1960 Conference on the Law of the Sea at the Palais des Nations, and furthermore comparing it with the experiences during the consultations and negotiations at New York and Caracas in 1974, everyone will be reminded of the Chinese proverb: "Ch'ien-ch'e shih chien", which means: "The cart ahead is a mirror". This



wisdom and insight on life is especially true in political development as man is experiencing nowadays, that "what has gone before shows what is to come after".

Facing the emerging developments of the Law of the Sea's and following its unfolding in the near future, one has always to be conscious of the fact that basically the present International Law of the Sea, and indeed much of International Law at large, is founded on two simple and seemingly mutually exclusive principles, namely: the Principle of Sovereignty on the one hand, and the Principle of Freedom on the other. Quite clearly one cannot abandon either of these principles entirely since the first provides the foundation stone upon which the "nation-state" and thus the existing "international community" is structured, while the second reflects a primary need of continuing importance to the international community as a whole, namely the freedom of the high seas for the sake of the freedom of navigation and commerce.

Equally clearly, however, a law of the sea based solely on these two mutually exclusive concepts no longer suffices, while the firm conviction of all the nations of to-day shows, that the Law of the Sea of the future must be based on *totally new and imaginative concepts*, taking into account:

- A. the rising value of ocean space and resources;
- B. the awareness of ecological imperatives; and
- C. the spatial concentration of ocean activities.

A. *OCEAN SPACE AND RESOURCES*, which are accessible to more nations and private interests than ever before, are increasing dramatically in value.

Navies continue to intensify their use of ocean surface and depths for deploying strategic and conventional capabilities.

Air-craft crowd over-ocean traffic corridors, while commercial shippers are filling the sea-lanes with bigger and faster vessels, moving in much denser traffic patterns and carrying larger amounts of energy products, raw materials and other bulk cargoes.

Meanwhile, as marine scientists bug the ocean with sensors and data-transmission platforms, aquatic and submersible



construction technologies are stimulating planning for permanent research stations, power plants, deep-water ports, air-ports and even entire cities at sea.

As far as the OCEAN RESOURCES are concerned, there are two characteristic classifications:

- (i) the living resources, and
  - (ii) the non-living resources.
- (i) In the field of the LIVING RESOURCES of the seas, the growth of world-wide coastal fishing capabilities, plus the global reach of the technologically sophisticated fishing fleets of a dozen countries, has resulted in a catch of more than 70,000,000 tons annually, — in some instances depleting stocks crucial to the income of many coastal communities and to protein intake of some 1,500,000,000 people.
- (ii) The NON-LIVING RESOURCES of the sea, which now have become the focus of world interests because of their strategic value for the life of mankind, are usually classified into:
- 1. Petroleum;
  - 2. Natural Gas;
  - 3. Hard minerals: and
  - 3. Fresh water.

Of the 4 kinds of resources, Petroleum and Natural Gas are clearly the most important deposits. The rush for oil and gas resources is extending farther and farther from shore and descending deeper and deeper into the depths. 18% of the 1972-world oil production came from beneath the ocean, and at latest count some 134 petroleum companies are exploring off the shores of 80 countries.

Deep-ocean deposits of copper, nickel, cobalt and manganese, found most abundantly in depth of 12,000 to 20,000 feet, are the newest potentially-profitable resources for ocean entrepreneurs. As many as 30 companies and several governments have reportedly invested hundreds of millions of dollars

in the development of exotic technologies for scooping nodules containing these minerals from the ocean floor.

An important recent source of information on this subject is the *Report of the UN-Secretary General of May 28, 1969*, (E/EC. 138/36), prepared for the UN-Seabed Committee dealing with the mineral resources of the Sea-bed and Ocean floor. World production of liquid fuels in 1969 was about 15,000,000,000 barrels. In 1980 the total world production will be in the range of 25 to 30,000,000,000 barrels and about 60 to 75,000,000,000 barrels in the year 2000. Off-shore production, i.e. production of petroleum from the Sea-bed and the subsoil adjacent to the coast, accounts for about 18% of the total and may increase to about 30 to 40% in 1980, and possibly to 40 to 50% of the total in the year 2000. Projections in the future may of course differ so that one may come up with different figures, but the idea is that off-shore production is becoming increasingly important.

As technology advances and demand for petroleum as a source of energy continues undiminished, man will continue to search for petroleum in areas beyond the 200 meters, which is the conventional line at which the continental shelf in the geological sense is said to end. This means that in the near future the continental slope and even the continental margin may become economically important.

The average annual growth rate in demand for petroleum is estimated at about 7% a year for the next decade, and an increment for new demand of 500,000,000 barrels is considered by the Secretary General to be the maximum probable production from the Sea-bed beyond the 200 meters depth by 1980.

Natural gas is also produced off-shore, but off-shore sources so far only supply 6% of total production. Natural Gas in many parts of the world, among others in Indonesia, has been an underutilized resource, because of the difficulty of transporting and of marketing it. It has not yet entered world trade to the extent of petroleum, but with the advanced technology in the transport of gas in liquid form, growth in international trade may increase substantially.



Total world gas production, which stood at about 34,000,000,000,000,000 cubic feet in 1969, may increase to about 160 trillion cubic feet in the year 2000. This means an increase of almost 5 times as compared to the four-fold increase projected for petroleum for the same period. Bearing in mind developments in Europe and South-East Asia, the percentage of the total produced off-shore is likely to increase considerably.

As far as SOUTH-EAST ASIA is concerned, the production of off-shore oil and gas is promising. In January 1971 the *VIETNAM ECONOMIC REPORT* states:

"The face of South-East Asia may change beyond recognition within this decade and the Vietnam war may take a dramatic turn, if the South-Vietnamese oil dreams come true. Somewhere in the continental shelf off the South-Vietnamese shore lies hidden one of the most spectacular petroleum deposits in the world".

And, in mid-March 1971, *FORBES*-magazine reported:

"Clues are beginning to pile up that there may be huge quantities of crude oil in the waters of the Far East and South-East Asia".

Given the estimate of *OIL & GAS JOURNAL*, that half of America's oil needs by 1985 would have to come from imports, or the estimate that by 1975 the United States would be importing some 450,000 barrels of oil a day from Asia, the significance of Asia's off-shore oil potential becomes immediately apparent.

Burma and Indonesia have long made an important contribution to world oil output, but attention is now focussed on the shallow continental shelf which extends from the coast of Thailand in the west, through a great arc embracing Indonesian, Malaysian, Cambodian and Vietnamese waters towards Japan and Korea in the north-east. The waters of this continental shelf are shallow, and the rocks which underlie them appear to be similar to those yielding oil in the islands on the mainland of South-East Asia.

The evaluation of the potential of this vast off-shore platform had, however, to await two technological developments, viz. the off-shore oil rig and the digital computer. In 1949 there was only one mobile oil rig in existence; by 1968 the number was 200, and by 1970 at least 30 were drilling on the continental shelf areas of Australasia — South-East Asia alone. The application of digital computers to the processing of the data gathered by seismic survey greatly speeded the job of surveying, — and marine survey with modern techniques is infinitely easier than ground surveying in the difficult environment of South-East Asia.

By the early 1960-s, according to Dr. Malcolm CALDWELL, "the top people in America and elsewhere were already aware of the tremendous potential of the Indonesian and South-East Asian oil reserves". By the latter part of the sixties the picture was being filled in by the technical journals. In April 1969, the *OIL & GAS JOURNAL* reported that the United States firm of "Ray Geophysical" was carrying out a 4,000 mile seismic reconnaissance survey of the continental shelf of Vietnam: the data collected "will be sold to an unidentified group of United States and foreign companies". In the same month, a largely unnoticed ECAFE committee, the "Committee for Co-ordination of Joint Prospecting ..... in Asian Off-shore Areas", held its sixth meeting in Bangkok. This presented a summary of the aeromagnetic and marine survey work carried out under its auspices by scientists from Taiwan, Japan, the Republic of Korea, Malaysia, Thailand, South-Vietnam, Indonesia, West-Germany, the United Kingdom and the United States. The Committee recommended that the order of priorities for projects should be:

- a. Zone 1, 2, and 3 in the Republic of Vietnam;
- b. Malacca Strait;
- c. Region II of the Philippines.

By 1970, it appeared that the South-East Asian region was "one of the richest sources of oil ever discovered", and "that the shallow sea floor between Japan and Taiwan might contain one of the most prolific oil and gas reservoirs in the world".



In 1970, David ROCKEFELLER of the Chase Manhattan Bank estimated that by 1980 United States oil firms would spend US\$ 35,000,000,000,— developing the Asian-Western Pacific region. (In 1972, Chase Manhattan reported that the total oil industry investment in Asia between 1970 and 1985 is expected to be about US\$ 65,000 million). Then in late 1970, the Saigon Government divided its off-shore waters into 18 blocks and passed a law governing the terms on which these concessions were to be let — terms very low by world standards. By 1971, the whole South-East Asian region, except for Vietnam, had been parcelled out. The general break-up is indicated in several maps produced by the oil companies which, surprisingly, do not show ONSHORE concessions, though Gulf Oil has a large concession around Bangkok, and Union is reported to have concluded a contract covering the entire Khmer Republic.

This information, based on technical data, highlights the strategic importance of South-East Asian waters, not only as a link between the two oceans — the Indian and the Pacific Ocean — but especially for non-living resources. This fact also explains the growing interest of the world in South-East Asia.

In this context, the question which must be posed is whether the oil potential of this region — which within 5 years, according to some experts, "will be ready to produce more than is now produced in the entire western world" — has been the strategies of a major factor in the development of the strategy of the maritime states in South-East Asia.

B. As regard to the second factor, the *AWARENESS OF ECOLOGICAL IMPERATIVES*, it must be pointed out that the multiple uses of the ocean cast serious doubt on the assumption that the ocean's resources are inexhaustible and that its natural processes are invulnerable to harm from human intervention. In addition to the threat to the seas' living resources from overfishing, concern deepens about the effects of pollutants being pervasively introduced into OCEAN ECOSYSTEMS.

Many come from man's direct activities in the ocean — dumping wastes, pumping ballast from oil tankers, accidentally spilling oil. But the bulk of OCEAN POLLUTION is land-

based. Sewage treatment plants generate outfalls, rivers and estuaries empty seaward, and atmospheric circulation transports materials such as mercury, lead and DDT throughout ocean space. How serious is all this? How much worse will it get?

Some scientists still remain untroubled. But most admit to great uncertainty, and worry that damage to the marine environment may create potentially severe strains on important local, regional, and possibly even global ecosystems. These strains can only increase with continuing worldwide industrialization and population growth.

Pollution is actually not a modern phenomenon. It is realistically not peculiar to man and may indeed have preceded him. Pollution by man in the 20th century is a reflection of population growth, development of technology and the resulting increase in living standards, and consumption habits associated with economic growth. The most serious effects of these trends include the increasing spread of waste and the destruction of nature.

Since pollution can be traced to many causes, some of which are political and highly emotional, its solution will not come easily. Most pollution problems are further complicated by the fact that merely national approaches, though important, are too limited to provide lasting assurance of prevention and control. Most forms of pollution are transnational in scope and must be treated within a modern system of International Law suitable to the needs of an interdependent world community in the late 20th century.

C. As regard to the *SPATIAL CONCENTRATION OF OCEAN ACTIVITIES*, it is an undeniable fact that much of man's expanding ocean activity is highly concentrated in relatively near-shore areas. The most political fuss concerns the submerged real estate that geologists call: the *CONTINENTAL MARGINS*.

These margins are the undersea extensions of the major land-masses, reaching to depths as great as 5,000 meters and stretching many hundreds of meters from shore in some areas. The margins angle towards the ocean floor in 3 progressively deeper gradients known as: Continental Shelves;



Slopes; and Rises. Most of the world's 118 coastal states have slopes and rises together with continental shelves. Some major exceptions are to be found at the western shores of North and South America where the seabed generally plunges to the deep ocean from a very narrow off-shore rim.

Although comprising only about 25% of the world's total underwater terrain, these margins are of immense significance, particularly the inner regions of the shelves and the slopes, for all coastal and maritime interests. Some 80% of all commercial fish swim there. Nearly all potential hydrocarbon resources are located in margin deposits, leaving only the nodules and highly migratory fish as commercially attractive resources beyond the margins.

Military, acoustical devices and other hardware are hidden on margins around the world. Moreover, with populations concentrating more and more in the narrow coastal belt of many countries, the public interest in off-shore aesthetics and economic activities can be expected to rise steadily. Altogether, the most accelerated growth, and with it the most acute controversy and conflict, will continue to concern these continental margins.

## THE BURNING ISSUES

### *1. The fundamental problem:*

In my humble opinion, nature itself has had the heaviest hand in aligning countries and peoples in the present ocean debate. Obviously, it makes a considerable difference whether the ocean will be viewed in the traditional way of the bygone era or will it be considered in its rising value as a means of communication and particularly in its emerging importance as a reservoir of abundant natural resources.

It also makes a fundamental difference whether a country borders the ocean or is land-locked, whether its coastline is long or short, and whether its continental shelf is rich or barren, broad or narrow. Technology's impact on a country's geological and biological inheritance is an increasingly weighty determinant.

It seems that ideological inclination now runs a poor third, although another kind of tie for the cohesion of the THIRD WORLD remains an important factor. Alternative visions of a world community are hardly in the picture, unless man will turn back into himself to realize the commanding rule of harmony in man's existence. Due to the disturbances of the harmony in man's existence between his personal and his social being together with his being in-the-world, which is clearly reflected in man's life in the national and international context, many controversial problems arise in present international relations among nations, concurrently in the current negotiations on the Law of the Sea.

The world has grown into a state where the present relations between nations have become inextricably intertwined, a condition never before attained during the history of mankind. These prevailing close relations among nations are obviously manifested in and intensified by the various world crises, whether they be in the field of food, in economics, in the monetary system, or in the supply of energy. Unless concerted action is undertaken, the devastating effects of these crises will certainly cripple the advanced and industrialized countries and ruin the retarded and developing ones.

As a matter of fact, the visible signs and effects of those different crises are actually only part of much bigger and more fundamental problems. They originate from the old system of economic and political relations which failed to provide justice and the equal distribution of progress to all nations. As long as this very fundamental problem is not yet satisfactorily solved, then series of crises will continue to haunt the life and tranquility of mankind, including also the realm of man's life on the sea.

Contemporary international reality distinctly restricts the absolute freedom of action of nation-states, whether big or small, whether advanced or developing. It is clear that, for the time being, the nation state remains the sole institution of human collectivity to which the vast majority of the human race is still prepared to submit in regulating the whole dimension of temporal existence. Thus, while on the one hand man is far from witnessing the disintegration of the nation-



states the concept of sovereignty itself must be redefined to suit the operational realities of the developments of the world of to-day.

What therefore needs to be redefined creatively and effectively is the role and the function of the nation-state within the whole context of an emerging international order on the uses of the seas. The emergence of detente and entente among the big powers has ushered in a new era of stability in some areas of the world. Among the superpowers, the management of this stability requires efforts to maintain the delicate balance between engagement and disengagement with other nations, particularly the developing and struggling ones. In order for this new pattern of relationships to function properly, an explicit statement by the superpowers as to what their understanding and approaches might be is required.

In the present unfolding ocean diplomacy, all nations have to face consciously two realities: *They will not get all that they want, and they will have to co-operate intensively with many other nations in order to get what they can.* This is the fundamental issue in every round of Musyawarah & Mufakat.

The realities of world developments at present suggest that nations must carry to any ocean negotiations a clear-headed conviction of what is essential to achieve and what is merely convenient. While all nations are currently advancing and defending some very important national interests in their most unvarnished and absolute forms, none of them is rightly to be regarded as a vital interest immune from adjustment. This includes the very sticky issue of straits, because maritime military and strategic considerations do not require a universal legal right of the kind being sought. Given the political realities of the present world development upon which the ocean debate and negotiation are conducted, it is quixotic to put everything on the line for this issue. On this question as well as on a host of others, reasonable adjustment to the interests of others is more likely to increase than to decrease the net overall political and economic return to all nations.

If a general constitution for the ocean is to be developed, it must be flexible and durable enough to garner the support of all major segments of international life on the sea. A working

political community of ocean users requires not only a treaty laden with rights and obligations, but also a political framework of incentives that encourages joint policy-making, consultations, and collective action at appropriate levels during the decades immediately ahead.

Inspired by such an idea and burnt by such a spirit, Indonesia has made itself clear by the statement of the Head of the Indonesian Delegation, H.E. the Minister of Justice Prof. Dr. Mochtar Kusumaatmadja, at the Caracas session. He stated with conviction that the delegations of the sovereign states of the world "have come to the conference not in the spirit of confrontation but with a maximum measure of good-will to co-operate with each other to bring the conference to a successful conclusion".

The Indonesian position has clearly been formulated in the statement mentioned above, in which the essential value of harmony is highly respected. Respecting and upholding harmony in life and diplomacy requires a consistent eye to the essential implications for world order and world peace inherent in the negotiation over the ocean's future. In this regard one has to be grand enough in facing the conflicting interests and in tackling the delicate controversies between nations or between their groupings. And every nation has to accept its share of responsibility for the unpromising state of ocean diplomacy since 1960.

## 2. *The problem of the coastal-state's prerogatives:*

A problem with the greatest potential economic consequences is the issue of a coastal-state's prerogatives beyond its "territorial sea". Most nations have extended or are willing to extend their territorial sea at least to 12-miles. Beyond a 12-mile territorial sea, many coastal states now would like very extensive, very thorough and very discretionary jurisdiction and control of adjacent waters and continental margins. The concept of "Patrimonial Sea" or "Exclusive Economic Zone" would give coastal-states exclusive control, short of full sovereignty, over all living and non-living resources out as far as 200 miles. Coastal-states can exploit these resources or grant



access to foreigners, perhaps in return for taxes or other profits. Scientific research would be controlled, but international navigation rights would remain intact.

Another issue concerns basic rules governing the relations of coastal-states and maritime interests likely to come into conflict within areas under the control of coastal-states. This issue is probably the most complicated one, since they entail the consequences of substantial coastal expansion for "navigational" and "military" uses.

The implementation of the principle of a 12-mile territorial sea would transform more than 100 formerly "international straits" into "territorial waters", e.g. Gibraltar, the Straits of Malacca, Dardanelles. This fact has evoked horror stories of bottlenecked straits, clogging the lifelines of international oil and other commercial traffic, and upsetting the military balances and naval strategies of the maritime powers. Under the prevailing international principle of "innocent passage", straits-states can oblige submarines to surface in transit; can exercise considerable leeway in deciding which traffic is "innocent", and can prohibit aerial overflights. Fearing these and further restrictions, the maritime powers are insisting on internationally guaranteed transit, qualified by necessary safety and navigation procedures.

Answering these claims of the maritime powers, straits-states and archipelagic states are arguing that free transit without any restriction could prejudice coastal interests in avoiding pollution and accidents in straits, and could threaten local military and security interests. They are affirming that they have no inclination or purpose in interfering with peaceful commercial traffic under reasonable safety conditions.

In this question, Japan has apparently not aligned herself with the other maritime powers, preferring instead to make unilateral approaches to straits-states and archipelagic-states to assure that her oil traffic is not interrupted. Japan is less interested in military requirements, but vitally concerned about straits through which all her imported oil passes, such as the Straits of Malacca.

As regard to the clash of military interests and coastal-state assertions, it coincides with the widespread growth of

interest in more comprehensive "ocean demilitarization", — as in the campaign to declare the Indian Ocean a zone of peace, — which has garnered general support from the region's littoral states.

### 3. *The issue of the Straits of Malacca and the Indian Ocean*

The Straits of Malacca have been an extremely important waterway since time immemorial. As has been noted above, in the 17th century there occurred a Dutch-Portuguese dispute on the issue of these Straits, which gave birth to the treatise of Grotius; "Mare liberum", while Grotius himself emerged as the champion of the freedom of the seas in his fight for free navigation for the Dutch East India Company.

Before the occurrence of the Dutch-Portuguese dispute, the history of the Straits of Malacca in the 15th century had experienced the struggle for a passage through the strait between the emerging, commercially-developed China and the coastal-states of South-East Asia. The Chinese history-book, "YING-YAI SHENG-LAN" (General Account of the Shores of the Ocean), published by Ma Huan in 1416, informs us about the naval expeditions of the Chinese Admiral Cheng-Ho in 1405, 1407, 1408 and 1412 to force a passage through the Strait of Malacca in order to safeguard Chinese navigation and commerce in the Indian Ocean, particularly to the countries of the Arabian peninsula.

A more detailed elaboration of this Chinese naval expedition is also presented by the article of Mr. Meyers in the "China Review, 1875", entitled: "Chinese Explorations of the Indian Ocean in the 15th Century". In this article a range of events and historical facts are investigated concerning the naval expeditions of Admiral Cheng-Ho in the years 1416; 1419, 1424 and 1425, based on the information contained in "HSING-CH'A SHENG-LAN" (General Account of Peregrinations at Sea) published by Fei Hsin in 1436; "HAY YU" (Words about the Sea) written by Hwang-Chung and published after his death in 1537; "TUNG HSI YANG K'AU" (Researches on the Eastern and Western Oceans) afterwards published by a Wang Ch'i-tsung in 1618; and "HAI-KUO T'U-CHI" (Maps



and Description of Foreign Countries) later on published by a Chinese official in 1844.

Much later than the struggle of the Chinese, in the 13th and 14th century there were the battles between the Naval Forces of the Empire of Majapahit under the command of Admiral Nala, which later on would be continued and accelerated by the Navies of the Kingdom of Demak under the command of Admiral Fatahillah in cooperation with the Forces of the Kingdom of Banten in West Java. The naval expeditions of Majapahit were preceded by the operations of the combined Forces of the Kingdom of Singasari under the command of the well-known Admiral Kebo-Anak-brang, the commander of the "Pamalayu Expeditions" ( $\pm$  1290).

Before the emergence of Singasari, the Straits of Malacca were under the absolute control of the Maritime Empire of Çrivijaya, the then most powerful coastal-state, which mastered navigation and commerce in the whole Indian Ocean region, particularly with the countries of South-Asia and the Middle East after the 9th century. During this period Çrivijaya alone ruled and regulated traffic through the Malacca Straits and in the Indian Ocean.

The Straits of Malacca are long, narrow and shallow waterways, which have been one of the major natural waterways in the world and will continue to be one heavily used by international shipping, coming from the Pacific to the Indian Ocean and vice-versa. Being thus situated, the geographical position of the Straits of Malacca places a tremendous responsibility on the coastal-states in relation to maritime shipping and at the same time puts them in a predicament, for the straits are fast becoming one of the world's dirtiest maritime backlanes.

On the average, about 4,500 vessels ply through the Straits of Malacca each month; this averages about 150 vessels per day, a very large proportion of which are oil tankers carrying crude oil, such as the SHOWA MARU which, when grounded near the island of Sambu in January 1975, caused severe pollution and damage to the maritime environment.

It seems necessary to explain the special position of the Straits of Malacca because there unfortunately does not appear

to be enough understanding of the fears and anxieties of the coastal-states, and consequently there has not been enough understanding and sympathy for the predicament faced by the countries bordering such an important strait. Instead, there has been a false emphasis created to extract yet further concession from the coastal-states, which are made to appear as intending to hinder international shipping.

Having no such intentions, the coastal-states are fully aware and conscious of their responsibilities towards international shipping. They acknowledge that commercial shipping is, by its very nature, innocent and should always enjoy unhindered passage. But it is most distressing when this interest of commercial shipping is used to disguise the intentions of those who have military purposes in mind, although this concerns only those few states that are motivated by global strategic interests. Reversely, the coastal-states have security interests too, but they are prepared to negotiate as far as is possible within the broad limits posed by those interests.

There is also another possibility, namely that the genuine fears of the coastal-states bordering the Straits of Malacca are being deliberately ignored. When it comes to using the Straits of Malacca, many people are eager to speak of the interests of the international community as a whole. However, when it comes to the maintenance and cleaning-up of the Straits, it is left entirely to the coastal-states.

One of the fears of the coastal-states is a very real and urgent one. It is the fear of damage to the marine environment by pollution and accident. This fear is accentuated by the fact that the Straits of Malacca is a shallow and virtually enclosed sea, and is heavily used by commercial shipping. Simply by the daily use of the Straits, damage is already being caused to the marine environment. One shudders to think of a major oil spill occurring in the Straits. This damage to the marine environment affects not only the Straits of Malacca but, equally, the Straits of Singapore and the whole area facing the South-China Sea. It must also be stressed that the volume of world shipping in the future is certain to increase, resulting in correspondingly increased burdens on straits and coastal-states.



Thus, the coastal-states of the Straits of Malacca are being daily washed by vessel-pollution. The resultant damage is affecting their beaches and their fishing industry, on which a large section of their population depend for their livelihood.

They are, therefore striving for the embodiment in a Convention of a greater appreciation of their legitimate interests and, at the same time, a clearer enunciation of the responsibilities of the international maritime community. Among other things, such a Convention should contain regulations to ensure unhindered passage for commercial shipping, adequate safety and pollution prevention standards, liability and compensation for damage, and passage for military vessels.

As historical evidence shows, the problem of the Straits of Malacca is always closely related with the issue of the Indian Ocean. With regard to the Indian Ocean itself, the attention of the public, particularly of the States in and around it, has of late been drawn to the small island of Diego Garcia, or to be precise, to the US plans for setting up a large permanent naval and air base on that island.

This small atoll, belonging to Great Britain and lying south of the MALDIVE ARCHIPELAGO, has for some time been used by US naval forces as a submarine communications centre. Under an agreement concluded recently between Britain and the United States, the Pentagon now intends to start building a large installation for receiving and servicing warships and aircraft, and enlarging depots to store oil products and munitions. It is also planned to considerably increase the contingent of American service personnel stationed on the atoll.

In this context, the littoral states view these plans as a direct threat to their security. Thus, the Indian government expressed its serious anxiety in this connection and considered the US intentions to be a flagrant violation of the UN-Resolution proclaiming the Indian Ocean as "a Zone of Peace and Co-operation". The Indonesian government followed with growing anxiety the stepping up of military preparations on that island, expressing the deepest concern that such actions would exert a negative influence on the situation in the region. The Republic of Malagasi has issued an appeal to "all the forces of peace and progress" of the Nonaligned Countries and

to the member-states of the Organization of African Unity in particular, to bring pressure to bear upon the US and the UK with a view to securing from them the renunciation of their project.

The plan for increasing the presence of the Pentagon in the Indian Ocean have also been criticized and condemned by the governments and peoples of Bangladesh, Sri Lanka, Australia, New Zealand, Malaysia and Thailand, and these protests have been strongly supported by the Soviet Union.

Answering the many criticisms of the plans for Diego Garcia both from outside and from domestic circles, the US Deputy Assistant Secretary of Defence for Near Eastern, African and South-Asian Affairs recently told the House Subcommittee for Foreign Affairs that the US interests in the stability, security and peaceful development of the Indian Ocean region have been highlighted and reinforced. Regarding the US security objectives, he explained that: Firstly: The US wishes to provide an effective alternative to the growth of Soviet influence in the region; Secondly: The US wished to have continued access to vital Middle Eastern oil supplies for herself and for other nations of the free world; Thirdly: The US wants to insure the continued free movement of US ships and aircraft into and out of the area.

In the pursuit of these objectives, the US recognizes that the military dimension of US policy cannot and must not be isolated from the broader political context. Military activity, whether it takes the form of arms sales, military advice and training, or a naval presence, necessarily represents only one element of broader policy encompassing the entire range of economic, social, cultural and political interaction with the nations of the region. The US is particularly conscious of this relationship with the nations of the Middle East since the Middle East is now moving from a state of war towards an era of peace and stability.

The Deputy Assistant Secretary of Defence commented that in some ways it is presumptuous and misleading to speak of an "Indian Ocean Policy" for the US, as if a single policy could be devised for such an enormous and diverse inhabited area. The Indian Ocean, he noted, is the third largest ocean in



the world, comprising more than 28,000,000 sq. miles. The distance from Cape of Good Hope in the west to the Straits of Malacca in the east, is greater than the distance from Los Angeles to Tokyo. And the cultural, historical, ethnic, religious, social, economic and political diversity inside that arc is at least as great as any comparable area in the world.

The Deputy Secretary of Defence stressed that the events of the recent war in the Middle East and its aftermath provided sobering evidence of certain realities which are directly relevant to US politics in the Indian Ocean. He emphasized that the Soviet Union, for example, demonstrated both the capability and the willingness to surge its naval forces into areas of potential conflict, and there has also been disturbing evidence of a more active Soviet military involvement in the affairs of the region. These events are directly related to the ever-increasing strategic mobility of the Soviet Forces and a growing assurance in employing those forces for political purposes. They assume particular relevance for the Indian Ocean, given the probable reopening of the Suez Canal in the relatively near future and the consequent shortening of the transit from the Soviet European ports to the Indian Ocean.

He added, that even the temporary closure of oil ports in the Eastern Mediterranean during the Arab-Israeli war created dislocations in European supplies which were eventually felt in the form of reduced supplies of heating oil on the American continent — quite apart from the oil embargo. One of the lessons the US has learned from recent experience is that oil production and distribution is a delicately balanced system which is vulnerable to instability and military uncertainty.

There was a period, of a month or more, when oil was available in Eastern Mediterranean ports, but tankers were unwilling to risk the danger of picking it up. In other words, it is not always necessary to sink tankers in order to disrupt the flow; the mere prospect of losing an expensive item of capital equipment may suffice.

In the view of Pentagon, the proper role of the US defence forces is not to wait until a threatening situation occurs and then attempt to find military solutions. Rather, its role is to prevent such situations whenever possible and thus avoid any

need for military solutions, which tend to be costly and dangerous. The US military presence in the Indian Ocean provides tangible evidence of American concern for security and stability in the region, where US interests of great significance are located. As such, it adds a security dimension to those other aspects of US policy — economic, political, cultural — which also reflect US interests and associations in the area.

Commenting on this statement, the Soviet Union pointed out that the plans to build up the US military presence in the Indian Ocean was not a response to an alleged Soviet threat, but was clearly an attempt to secure a military bridgehead with far-reaching aims in the strategically important area of the globe.

"The countries in the Indian Ocean region possess over half the world's known oil reserves, and the world production of rubber, tea and tin-ore is concentrated chiefly there", the Soviet's comment went on.

"Today on the shores washed by the waters of the Indian Ocean, dozens of developing countries which not long ago threw off the fetters of colonial and semi-colonial slavery are building a new life. One of them is the Republic of India, whose sea borders extend for over 5,500 kilometers. The sincere desire of the peoples in the Indian Ocean basin countries to live in harmony has found reflection in the mounting movement for turning that region into a Zone of Peace".

"The general process of the relaxation of the international tension, which now also involves the Afro-Asian countries and Australia, has led to the peoples of the states situated on the shores of the Indian Ocean ever more resolutely demanding an end to neo-colonialism, imperialist aggressive blocs and military bases on foreign territories. The quest for peace and security in Asia on the basis of participation by all the Asian states is growing wider and stronger.

"The positive shift on the international scene cause anxiety among the military circle in Washington and London, which stubbornly cling to the policy of the Cold War period and feverishly seek ways and means of defending their selfish interests in various parts of the world".



After attacking the US policy and the Pentagon's plans on Diego Garcia, the Soviet Union also drew the attention of the world at the policy and attitude of the People's Republic of China by pointing out:

"The stand of the Peking leadership on this question is noteworthy. While paying lip service to converting the Indian Ocean into a Zone of Peace, Maoist propaganda is conducting a slanderous campaign against Soviet foreign policy, repeating the imperialist fabrications about the Soviet Navy in the Indian Ocean, and thereby justifying the establishment by the Pentagon of a large military base on Diego Garcia Island. Moreover, signs have appeared lately that Peking is intent on securing its own "military presence" in the Indian Ocean".

(*Asian Defence Journal*: South-East Asia Defence Review, No. 2, 1974, pp. 57—60).

As regard to India, M.L. Sondhi once commented: "The major restructuring of the Subcontinent has increased the expectation in India that it has to opt for a more significant role in relation to the outside pressures in the Indian Ocean. India has not formulated its objections to the growing Russian naval power in the Indian Ocean since the Indo-Soviet Treaty emerged as a symbol of mutual political support, in the context of the general balance in Asia. Indian naval defence planners are much less alarmist than those of some other countries who see the Indian Ocean turning into a Soviet sea.

It is, however, characteristic of their sophistication to increasingly emphasise India's naval role and her potentialities for developing technologically feasible options in the Indian Ocean. While India recognises that a sort of balance is emerging between the Soviet naval presence and that of the United States (with the "communication facilities" at Diego Garcia) she is opposed to both sides exacerbating political problems in the Indian Ocean by demonstrations of their naval strength. Indian policy planners are seriously concerned with the problems and costs that might flow to India from the super-powers

bringing their navies into the Indian Ocean. A significant Indian involvement in the Indian Ocean is seen as extremely important if India is to take a clear-cut position to support move to make the Indian Ocean a region of peace free from big-powers rivalry. This specific view again leads to an Indian acceptance of sea-based deterrent forces as an important asset for an Indian Ocean policy", (*Pacific Community*, Vol. 4 No. 2, January 1973, pp. 268—69).

Studying all these statements, the issue of the Indian Ocean may become much more clearly exposed as I have already explained in connection with the development of the US and the Soviet strategy in that part of Asia. It is exactly because of this development of the strategy and rivalry between the superpowers in the Indian Ocean that a burning problem has arisen in the form of the "Problem of the Straits of Malacca", for these straits constitute the very gate-way from the Pacific Ocean to the Indian Ocean.

The issue of the Straits of Malacca is intimately related to the fact that the Indian Ocean is an area that has the potential to produce a major shift in the global power balance in the next decade. Both the US and the Soviet Union is striving to possess more ability to influence events and the capability to deploy more military power in the Indian Ocean region as an essential element in such influence.

The key to the potential of the Indian Ocean is that it is strategically the most suitable place for launching an underwater nuclear missile attack on the Urals, the nerve centre of the Russian heartland. Other oceans are closer to Soviet shores, but not to the new concentrations of Russian industrial power east of the Urals. The Indian Ocean also offers two other critical advantages: the depth and expanse which nuclear submarines need for effective manoeuvres, and a cloud cover during the greater part of the year that hinders visual, sonic and thermal detection of submarines. The Indian Ocean is also ideal for the less drastic offensive action of threatening critical Soviet logistics. More tonnage passes between European and Siberian Russia by sea than overland, and no Soviet domestic traffic route is as exposed to hostile action as this sea route as it passes through the Indian Ocean and the Straits of Malacca.



An impressive American naval presence in the Indian Ocean is therefore of vast importance for the leverage America wants against in Russia the dangerous game the super-powers are playing. It is also important for America's relations with China, whether they remain as cordial as now or return to their previous phase of hostility. In the cordial phase, this dual naval presence makes America a credible ally against Soviet pressure. In the hostile phase, it can threaten key Chinese centres in addition to the Russian. No existing or potential base of naval operations anywhere in the world offers the US such an attractive combination of strategic advantages.

On the other hand, Russian military priorities in the Indian Ocean are much simpler, and they are mainly two: to safeguard crucial supply lines to the Far East through the Strait of Malacca by backing them up with enough power to make any interference with them an expensive proposition; to reinforce the political advantage it has, or may hope to have, over the US and China in some countries of the Indian Ocean littoral.

In the context of this highly significant situation in the Indian Ocean, Maltese Ambassador Arvid Pardo put this ocean problem on the agenda of the General Assembly in 1967. He sought to provide a chance for the international community to get a meaningful institutional and financial grip on the productive regions of the ocean beyond what were then presumed to be relatively modest national areas. Pardo proposed that the COMMON HERITAGE OF MANKIND in the ocean should begin beyond "the present" limit of national jurisdiction. Unfortunately the General Assembly of 1970 endorsed the resolution on this "common heritage" principle by dropping these "two words", thereby perpetrating one of the more disingenuous sleight-of-languages in diplomacy, since the limits of national jurisdiction were themselves being stretched.

With the postponing of the decision on the boundary, coastal-states had a strong incentive to push claim to the richest, most fertile, and most productive seas and sea-bed in order to make sure these were kept within national jurisdiction. The "common heritage" is now being shrunk to whatever might be left over after the coastal-states finish taking what they regard as their just dues.

#### 4. *The "Nusantara" Concept*

Finally, some words must be said regarding the Nusantara Concept, or, as it is commonly known, the archipelagic state concept. Since the Nusantara Concept was forwarded by Indonesia at the Geneva Conference of 1958, it has steadily developed into a more defined and accurately formulated doctrine, and has increasingly gained appreciation and acceptance. As the situation at present shows, its development is promising, although the implementation thereof still needs more harmonizing and accommodating approaches to the wishes and interests of other states. Since its birth in 1957 in Indonesia, the Nusantara Concept has been adopted and implemented by several "archipelago countries". Beside Indonesia, three other countries, i.e. the Philippines, Fiji and Mauritius, have declared themselves as "Nusantara-states". Thus, the term Nusantara has grown into a general term, containing the meaning of "archipelago".

For the convenience of the other archipelago-states, the definition has been redefined and more perfectly formulated in the joint proposal of the four "archipelagic states" (Doc. A/AC. 138/SC. II/L. 15 and Doc. A/AC. 138/SC. II/L. 48), dealing with the "PRINCIPLES AND ARTICLES CONCERNING THE ARCHIPELAGIC STATE CONCEPT".

April 30, 1975



# FINANCIAL MARKETS AND THEIR CONTRIBUTION TO THE DEVELOPMENT OF ASEAN: AN ASSESSMENT\* )

J. PANGLAYKIM

Before we commence discussing the topic, it would appear to be in order to work out a mutually-acceptable definition or understanding of the terms "financial market" and "contribution to growth".

## 1. FINANCIAL MARKETS

Primary economic function is to attract/gather funds/savings (private, corporate, and other); where necessary, to transform short-term cash/savings/funds into long and medium term capital; to make such capital available for investment as cheaply, efficiently, and effectively as possible.

From the point of view of those who deposit funds, financial markets are seen as providers of security. On the other hand, financial markets are seen by those who use them as sources of funds to be a useful "lubricant" facilitating business operations.

As we know, a financial market contains within it a capital market, which provides long term investments and which may also function as a medium for attracting capital direct from the society. Looked at from another vantage point,

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that of the macro-approach, or from the point of view of the interests of ASEAN, financial markets and centres are a necessity due to the rapid growth of such sectors as manufacturing, investment in productive equipment, and so forth. The development of financial markets/centres, and the services they provide, is vital to the growth and development of the national/ASEAN economy, and must also, therefore, be regarded as being of importance for the development of national/regional resilience.

## II. CONTRIBUTION TO GROWTH/DEVELOPMENT

There is a significant difference between "growth" and "development". "Growth" is an aggregate concept, measured in such aggregate terms as percentage increases in GNP, and as such is not concerned with differentiating among the sources of growth. Thus a national economy may be described as experiencing "growth" even though the source of such "growth" may lie in the foreign sector, as indeed is the case in a number of states. Oil resources, for example, that are exploited by foreign companies, may represent a major contributing factor in such national economic "growth".

In other words, economic "growth" alone does not guarantee the development of national enterprises. This means that healthy growth must also incorporate the development of the national economic sector, which, in turn, implies that the state leadership needs to be able to devise policies for, and to provide guidance to, the national sector in order that that sector may be involved in development in accordance with the rhythm and rate of national growth. If such policies are not devised, and if such guidance is not provided, then an imbalance will develop between the rapidly-growing macro sector, on the one hand, and the less-rapidly developing micro sector on the other. Such an imbalance may give rise to tensions which will have an adverse effect on national and regional resilience.

In discussing the contribution of financial markets to growth, therefore, it is necessary to pay attention to the problems of devising ways and means by which the economic growth of the nation/region/ASEAN may be expanded into the



micro sectors: this is the most significant area in which the currently developing financial markets of the ASEAN states may contribute to development. By contributing to the achievement of balanced development, that is, development in which the national sector participates equitably, financial markets may play a vital role in the wider context of establishing the stability and calm necessary for accelerated national and regional economic development. Such balanced development would, in turn, provide increasing opportunities for the financial markets to develop mutually beneficial relationships with the micro sector.

### III. MONETARY INSTITUTIONS AND FINANCIAL MARKETS

1. *The development of monetary institutions in ASEAN:* this subject was considered in detail by J.P. Graves in a working-paper entitled "The Prospects for S.E. Asian Banking", which was discussed in a recent seminar in Singapore. In describing the banking situation in the ASEAN states, Graves noted:

- (a) a tendency towards increasing banking maturity, reflected in the proliferation of banks and the enhanced sophistication and diversification of banking activities.
- (b) a process of "internalization" of the "financial market", in the sense of participation in the process of growth.

On the basis of these observations, he arrived at several conclusions:

- (a) that national banks in ASEAN countries would continue to mature and would play an important role in channeling funds.
- (b) that such banks would assist in creating a greater and more complex volume of business of the "risk asset portfolio" type because payment periods would be longer. This would encourage ASEAN bankers to demonstrate a more careful and sophisticated style of

asset/liability management, particularly management of foreign exchange and off-shore activities.

- (c) in the process of increasing the participation of national capital and managerial structure in development, monetary institutions are going to be faced with a wide variety of problems and difficulties, with the result that they will be driven to consolidate their efforts or, very possibly, be forced to engage in mergers (as is already apparent in Singapore, with the establishment of bodies such as VOB, OCBC, etc.).
- (d) in order to broaden their bases, national banks in ASEAN must seek new fields in which to operate and must diversify their activities within the context of the obligation to satisfy a wide range of needs. Because the information and knowledge at the disposal of national banks is not yet of an international order, a majority of them will have to seek foreign-partners, especially in connection with efforts to set up monetary institutions such as merchant banks, discount houses, etc.
- (e) foreign banks operating in the ASEAN region would be well-advised to take heed of these trends, and the author of the working paper foresaw foreign banks under-taking the following roles:
  - (i) foreign banks will continue to contribute to and participate in the monetary field in ASEAN. They regard their role as that of "agents of development" and as brokers and intermediaries among sources of funds, expertise, and manpower.
  - (ii) opportunities still exist for foreign banks to participate in the field of commercial banking, albeit as minor shareholders or, in the case of Indonesia, via such forms as technical agreements or management contracts. In specialized fields such as merchant banking, consumer lending, etc., the potential role of foreign banks was regarded as being of significance.



- (iii) as brokers between the worlds of international and national finance, the national banks of ASEAN are still in the preliminary stages of development. In this respect, foreign banks can play an important role, for example, as brokers between Petro-dollar funds and ASEAN banks.
- (iv) in the event that ASEAN bankers really do enter the international financial arena, joint ventures between foreign and ASEAN banks will continue to be of value for the ASEAN states.

2. *The Growth of Commercial Banks in the ASEAN Region*

The growth of commercial banks and their branches in the ASEAN region (including state, national private enterprise, and foreign banks) is illustrated in Tables 1 and 2. The growth and proliferation of foreign banks in Singapore during the period 1970—1974 represents an example of rapid growth, and may be regarded as having been a direct result of the policy of the Singapore Government to develop the island as a financial centre.

3. *Commercial Bank Portfolios*

On the basis of the type of credits made available by financial markets, Singapore, and possibly Malaysia, may be categorized as the only ASEAN countries in which the variety of credits offered is in accord with developments in other sectors, such as production, manufacturing, etc. In some other states, such as Thailand and the Philippines, bank credit diversification does not yet appear to have reached the level achieved by Singapore. In the case of Indonesia, it may be said that there is a marked imbalance between developments in the production sectors, on the one hand, and in the finance sector, on the other. This characteristic of the Indonesian situation will be considered further below. Despite the differences among countries in respect to portfolio compositions, it is interesting to note that the percentage of credit provided to the commercial

sector in each country in ASEAN is relatively high, as may be seen in the following table:

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Indonesia	50%
Malaysia	27%
Philippines	34%
Thailand	51%
Singapore	31. 2%

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Source: Graves, *Total Commercial Banks' Portfolio*, 1974.

#### 4. *The Type of Credit Offered (Singapore)*

At present, Singapore is the only member-state of ASEAN with a highly-developed structure of financial facilities. Among the types of financial institutions established in Singapore may be noted:

- (a) 63 commercial banks, 51 of which are foreign and which represent some 20 states. The commercial banks are divided into four categories: (i) Full Banks (such as the Algemeene Bank Nederland, Bank Negara Indonesia 1946, Bangkok Bank, etc.); (ii) Off-shore Banks (such as Bankers Trust, Toronto Dominion, etc.). (iii) Restricted Banks (American Express International, European Asian Bank, Sumitomo Bank); (iv) Banks licenced to operate within the ACU.
- (b) there are 20 Merchant Banks, the oldest of which are the Chartered Merchant Bankers and the Singapore International Merchant Bankers, founded in 1970. In Malaysia there appear to be between 8—10 merchant bankers, in Manila between 12 — 15, Jakarta 8, and and Hongkong (?) perhaps more than 50.
- (c) other financial institutions include discount houses, 5 international money brokers, and factoring (?).

#### 5. *Imbalances in the Relative Development of the Production and Finance Sectors*

The economic development of the ASEAN states has been marked by extremely rapid increases in the production



sector, particularly in foreign and domestic investment in the fields of manufacturing, mining, etc. The production sectors in these states have progressed rapidly, resulting in the appearance of a gap, or imbalance, between developments in production, on the one side, and in the services sector (finance, communications, administration, etc.) on the other. In this respect, Singapore possibly represents an ASEAN country which is relatively advanced in having abolished this gap or imbalance. The following discussion of this problem of imbalance will be restricted to consideration of the imbalance between the production sector and the financial sector the latter, of course, representing one very significant component of the services sector.

The speed with which the production sector has developed has generated a proportionately high demand for support and assistance from the services sector, in this case, the financial sector. In general, national commercial banks remain limited to the provision of short-term credit, and a large proportion of them are not yet capable of meeting the increasing requirements for middle and long-term credits. Someone wishing to order an item of machinery must seek credit from abroad, and the same situation applies in purchase of most large items, such as ships etc. This lack of balance results in a number of consequences. Indonesian producers are left with virtually no choice but to accept extremely tight credit conditions, with the result that package deals with Japanese firms have become very common. Such deals result in, among other things, the close alignment of the Indonesian economy to the overall direction of Japanese economic policies. The limited variety of credits available at home has driven Indonesian national businessmen to seek credits from foreign banks both in Indonesia and off-shore in Singapore and Hongkong. Additional factors which encourage this tendency to seek foreign credit include the lower interest rates and more efficient services offered by the foreign banks. Having obtained foreign credits, national businessmen are, of course, obliged to abide by the conditions of such loans, such as the obligation to provide continual cash flow data, and so forth.

## 6. *The Contribution of Financial Institutions in the ASEAN Region: Some Comments*

Below we offer some comments and observations about the contribution and significance of financial institutions — both foreign and national — in the ASEAN states. Perhaps these brief comments may provide material for further consideration in subsequent sessions.

### *(i) National Banks*

The national banks of the ASEAN states exhibit a pattern of uneven and diverse development. Some among them have achieved rapid progress and boast relative maturity, while others are still in the preliminary stages. In Indonesia, there is a clear disequilibrium between development in the production sector and the banking sector.

It is to be hoped that the national banks will come to play a more significant role and to make a greater contribution within the framework of satisfying the extremely diverse credit requirements of the local production sectors.

One problematic aspect of national banks in ASEAN countries (perhaps with the exception of the Singapore and Bangkok Bank) is that they are generally controlled by a group, or groups, of shareholders. Such groups tend to give priority to the pursuit and defence of their own interests, with the result that ordinary members of the public do not receive sufficient attention or efficient service. Such a structure of bank ownership greatly reduces the possibility of establishing national financial institutions capable of progress as rapid as that achieved by, for example, the Bangkok Bank, United Overseas Bank, and OCBC, although this situation could improve if, under the pressures of international conditions, such banking groups are driven to combine or merge.

The share of national private-enterprise banks in servicing business is particularly limited in Indonesia,



where some 87% of all credit channeled into the society is controlled by state banks.

From the point of view of ASEAN, national banks in Singapore have, because of Singapore's relatively advanced development, become a very significant source of funds with which to fulfill the variety of credit requirements.

National banks will not be capable of providing more satisfactory service, or of assuming a more significant role, until they are prepared to engage in mergers, although technical contracts and other similar schemes may help to broaden their bases of operations.

Some policies and regulations applied by ASEAN governments could, quite unintentionally, possibly develop into obstacles to the reduction of the imbalances between these two vital national and regional economic sectors.

Several ASEAN member-states have already established development banks and commercial banks which have demonstrated significant capabilities to act as agents of development and accelerators of industrial growth. Such banks have served to reduce the gap between the two sectors. Prominent in this respect are the Indonesian state banks, the Singapore DBS, and others, although it must also be noted that the number of such banks and the intensity of their operations remains far from sufficient.

#### *(ii) Foreign Banks*

The arrival of foreign banks in the ASEAN region has brought with it all sorts of changes, improvements, challenges, and tensions.

It is important that the foreign banks be aware of the difference between "growth" and "development", and also that they understand that it is expected that they contribute to the development of the micro/national sector in order that the fruits of any growth brought about by the operations of MNCs in the region may be more equitably shared with the national sector.

As agents of development and change, foreign banks have brought about improvements in the efficiency, methods, and services of national banks, and have introduced a measure of sophistication to the ASEAN national banking scene. On the other hand, the foreign banks, by virtue of their worldwide contacts, their capacity for obtaining cheaper funds, and their more advanced organizational and other techniques, represent extremely tough competitors for the national banks.

The foreign banks, with their high degrees of expertise, have introduced sophisticated financial instruments, such as merchant banks, discount houses, etc., into ASEAN banking, which is one reason for the appearance of a variety of joint ventures. They have also brought to ASEAN and the Asian dollar market (Singapore) the creation of consortia designed to obtain long-term funds (and to act as links with the international financial world).

By means of minor participation (in the Philippines and Singapore) and major participation (in Hong-kong), and through such mechanisms as technical and management contracts, the foreign banks have participated in the development and improvement of ASEAN's national banks.

Foreign banks also provide a valuable service as brokers, or mediators, among the three major financial centres — London, New York, and the holders of Petro-dollars — enabling funds from those centres to flow into ASEAN in a variety of forms and by a variety of means. In this context, the major banks will serve as intermediaries in the search for funds from the oil-producing states.

Foreign banks also represent an important factor in the development of financial centres in ASEAN, as may currently be observed in Singapore and the Philippines — their presence alone serves to ensure a measure of "confidence".



Furthermore, the presence of foreign banks in the region may be regarded as an effective mechanism for attracting foreign capital and investment into the ASEAN states, because in most cases they are the first institutions contacted by prospective foreign investors.

For the foreign banks, the ASEAN economies represent growth areas, and the margins obtained in the ASEAN states are much higher than those earned in industrialized states. According to the President of FNCB, for FNCB "Jakarta pays the check" (FORTUNE, March 1975, "Why They Call it 'Fat City'," Sanford Rose).

The imbalance between the production and services sectors will ensure that foreign banks will play an increasingly significant role in the future — just look at the variety of transactions and activities of those foreign banks operating "off-shore" from Singapore.

Foreign banks have brought changes into the style and methods of operation of national banks, they have provided models of efficiency and effectiveness, and their presence amongst us presents us with a challenge to healthy competition (even though such competition is often unreal). However, we must never close our eyes to the reality that the presence of foreign banks in our midst, with all their power, capabilities, capacities, and worldwide operations, will unavoidably give rise to some tensions. Such tensions may, however, be prevented, or at least reduced, by wise and careful government action.

## GROWTH OF COMMERCIAL BANK BRANCHES 1970 - 1974

Countries	Number of Commercial Bank Br. 1974 & Growth from 1970			
	Govt. & Private BRS.		Foreign BRS.	
	No.	Growth	No.	Growth
Singapore	105	50%	106	0%
Thailand	790	22%	6	0%
Malaysia	221	25%	149	0%
Philippines	812	36%	12	140%
Indonesia	996	2%	18	100%
Total	2924	18%	291	8%

## GROWTH OF COMMERCIAL BANKS 1970 - 1974

Countries	Number of Commercial Banks 1974 & Growth from 1970					
	Government		Private		Foreign	
	No.	Growth	No.	Growth	No.	Growth
Singapore	1	0%	11	9%	46*	+84%
Thailand	4	0%	16	0%	13	0%
Malaysia	1	0%	16	0%	19	—10%
Philippines	2	0%	32	0%	4	0%
Indonesia	26	—17%	97	—26%	11	0%
Total	34	—15%	172	—16%	93	+24%

\* Includes Foreign Banks With Restricted Licences



# AFTER THE WAR: INDOCHINA AND THE POLITICS OF SOUTHEAST ASIA

Bing P. LUKMAN

This essay seeks to consider the significance of the ending of the Indochina War for the countries of Southeast Asia. The long and costly war was an important factor in international relations for more than a decade, and any attempt to assess its significance and possible effects on the future of the region must necessarily consider the international context within which the war was waged. The essay begins by considering developments at the international level, then proceeds to analyze developments in Indochina during the closing phases of the war. In the final section, some possible effects of the ending of the war on the countries of the region, and particularly on Indonesia, are discussed.

## THE INTERNATIONAL CONTEXT

The pattern of international politics has undergone substantial changes as a result of several important developments that have occurred since the beginning of the 1970's. Awareness of the increasing reality of the interdependence of nations is spreading rapidly, however, such awareness is not, by itself, sufficient to prevent the growth of dangerous tensions and antagonisms. The recent build-up of tensions in the world serves to demonstrate that man, even given his present level of awareness, is not yet equipped or prepared to squarely confront the fact that the changes taking place around him are all, whether he is aware of it or not, the result of his own behaviour. Several prominent examples, each symptomatic of the changes taking place on a world scale, are considered below.

## 1. *The Monetary Crisis and the Energy Crisis*

President Nixon's decision, on the 15th August 1971, to sever the link between the US dollar and gold was an attempt to save the US economy from destruction.

U.S. foreign policy, particularly U.S. involvements in South Vietnam, the Middle East, and other areas of the world, had siphoned off American foreign exchange on such a scale as to seriously weaken the relative economic strength of the country. In 1971, the U.S. balance of trade suffered a deficit of some \$ 2 billion, and U.S. gold reserves dwindled by as much as \$ 866 million. By the end of the 1972 financial year, the balance of trade was in deficit by \$6.8 billion. Such changes imposed a heavy burden on the American people. By his action of 15 August 1971, President Nixon sought to transfer some of this American burden to other countries.

The "Smithsonian Agreement", reached by 10 rich countries at the end of 1971, proved inadequate as a means to reduce the exacerbating effects of Nixon's action on the developing international monetary crisis. The monetary crisis was, in turn, rendered even more complex and intractable by the energy crisis following the October 1973 Arab - Israeli War, and by the increasing tendency for each country to be more concerned with its own immediate national interests than with cooperative attempts to seek solutions to common problems.

## 2. *Détente Among the Superpowers*

Détente, which reached its peak at the time of the Nixon visits to Peking and Moscow and the entry of the P.R.C. into the United Nations, essentially represents an agreement among the Superpowers to avoid direct confrontation in the course of the pursuit of their respective goals, an agreement made feasible and necessary by the achievement of nuclear parity.

Each Superpower interprets détente in accordance with its respective current goals and conditions. Through détente, the United States seeks to shift the emphasis of its foreign policy away from military power in order to enable it to better safeguard its economic interests. The Soviet Union, on the other hand, allocates greater significance to military strength as a



political means with which to increase its influence among the developing countries. For its part, the People's Republic of China, while continuing to conduct foreign policy in its traditional fashion, has acquired a new legitimacy in international politics by virtue of its entrance into the U.N. Peking continues to improve and develop its capabilities to conduct international diplomacy at the three levels at which it customarily operates: the inter-governmental level, both multilaterally and bilaterally; the party to party level; and the level of relationships with individuals or groups within societies.

The increased emphasis allocated to the pursuit of its economic interests has resulted in a reduction in the vigilance with which the United States defends its ideological boundaries. In fact, whether it realizes it or not, the United States, by increasingly aligning its foreign policies with its immediate economic needs, has opened a new front for international confrontation, that is, apart from the ideological confrontation between communist and non-communist, there now must be considered the clash of interests between raw material producers, consisting mainly of developing countries, and raw material consumers, consisting largely of industrialized countries.

There are indications, albeit implicit, that President Ford realizes that détente has operated to the relative disadvantage of the United States. Such an indication was contained in Ford's address to the Congress on 11 April 1975, for example, in which he stated that:

"..... As long as I am President, we will not permit détente to become a license to fish in troubled waters".

### 3. *The Paris Peace Agreement*

The peace agreement signed in Paris on 27 January 1973 by the United States, North and South Vietnam, and the Vietcong, although signalling a temporary solution, was essentially an integral part in the strategy of the Vietcong and North Vietnamese to gain control over the whole of Vietnam in accordance with the plans laid by Ho Chi Minh. That this was

in fact the case is clearly revealed by the inclusion in the agreement of the provision that the military demarcation line at the 17th parallel between North and South Vietnam be *only temporary in nature* and not represent a political boundary.

The goal of complete control over the whole of Vietnam was never abandoned by the Vietcong or the North Vietnamese, a fact demonstrated by General Giap's statement that "Peace is the continuation of war by other means" and by the statement of the North Vietnamese Prime Minister, Pham Van Dong, following the signing of the agreement in Paris, to the effect that the signing of the agreement opened up the opportunity for Vietnam to demonstrate its leadership.

The Paris agreement may also be regarded as evidence of the success of the United States in withdrawing "with honour" from direct military involvement in Vietnam while counterbalancing that withdrawal with the promise of military equipment and financial assistance to enable South Vietnam to defend itself. The promise of American assistance was confirmed two years after the signing of the peace agreement by President Gerald Ford's statement before the U.S. Congress on the 11th of April 1975:

"The universal consensus in the United States at that time was that if we could end our involvement and obtain the release of our prisoners we would provide adequate material support to South Vietnam".

The withdrawal of American troops and the release of American prisoners of war was successfully accomplished, and the promised economic and military assistance was provided, even though it did not suffice to ensure victory for South Vietnam.

## THE SHIFT FROM BIPOLARITY TO MULTIPOLARITY

The direct entry of the P.R.C. into the international political arena, formalized by that nation's entrance into the U.N., the rise of Japan and Western Europe as new and dynamic



economic powers, and the increased political and economic significance of oil-producing countries — particularly those in the Middle East — due to their utilization of oil as a political weapon, all served to shift the Bipolarity of international politics in the direction of a new Multipolarity, a trend strengthened by recognition of the fact that nuclear weapons were no longer the exclusive monopoly of the United States and the Soviet Union.

Whereas Bipolarity had been primarily based upon ideological differences and had assumed the relatively simple pattern of two antagonistic groupings, that is, the U.S.A. and its friends on the one side, and the U.S.S.R. and its friends on the other, the nature of Multipolarity is much more complex.

Rather than resting upon the strength of the two super-powers alone, as had been the case with Bipolarity, Multipolarity reflects the relative strengths of several large nations. Moreover, the relatively simple basis of Bipolarity in ideological conflict has, under Multipolarity, assumed greater complexity by incorporating also a wide range of other interests, including relative military power, economic strength, religious sentiment, etc. In short, it may be said that the number and complexity of factors that must be taken into consideration in the chess game of international politics in the era of multipolarity have greatly increased. Because of this greater complexity, each state is tending, in order to facilitate the formulation of foreign policy, to their external relationships upon their own narrowly conceived national interests, rather than to seek to defend the common interest of this single and limited planet.

In view of the need to manipulate an increased number of factors in the conduct of international relations, it is not surprising to find that countries which may be in conflict over one set of interests may simultaneously cooperate in the common pursuit of a different set of interests. The relationship between the U.A.R. and the U.S.S.R. may be cited as an example of this phenomenon: despite the fact that the U.A.R. is an anti-Communist state that has banned Communist parties within its own borders, it has cooperated with the U.S.S.R. in the pursuit of its interests in the struggle against Israel.

## DEVELOPMENTS WITHIN THE U.S.A. AND THEIR EFFECTS ON AMERICAN FOREIGN POLICY

The Watergate scandal, and the consequent replacement of Nixon by Gerald Ford, a non-elected President, strengthened the U.S. Congress — in which the Democratic Party is currently dominant — in its relations with the Executive. American internal conditions were further strongly influenced by developments in the international monetary situation and by the impact of the energy crisis. Each of these internal developments exerted a debilitating effect upon the conduct of American foreign relations.

As a non-elected President at the head of a minority administration, Gerald Ford is in a difficult position. This administration is based on a minority not only in terms of votes in the Congress, but also in terms of the capacity to take the initiative in American politics. President Ford appears to lack the courage necessary to provide the leadership expected and required of the leader of the Executive.

Rather, he seems to prefer to capitulate to public opinion. American policy is now determined more by the Legislature than by the Administration.

In terms of real wealth and production, the United States is more than capable of satisfying its own internal requirements — indeed, the United States is the only country in the world able to feed its own people as well as account for the largest proportion of the world's grain production. However, the costs of playing the role of "the world's policeman" placed heavy demands on the people of the United States, the effects of which may be seen in, for example, the 12% rate of inflation and the 8% unemployment experienced in 1974. The deteriorating situation in the United States has caused Americans to reevaluate their real interests and the extent to which those interests are being served by U.S. foreign policy.

A document of particular significance for any discussion of changing American attitudes has been produced by the Chicago Council on Foreign Relations. Entitled *American Public Opinion and U.S. Foreign Policy, 1975*, the document presents the findings of a survey of American public opinion with respect to U.S. foreign policy. Data was collected by



the Council from 1,513 respondents over the age of 18 and representing a wide cross-section of the society, and the results were arranged in terms of the social level of respondents.

The results of the survey clearly demonstrate the sharp conflict that has developed between internal needs and foreign policy. A general consensus, subscribed to by prominent public figures as well as by ordinary men and women in the street, was that greater funds should be allocated to the solution of internal American problems and that the costs of foreign programs should be reduced. The data presented by the Council also indicated that the American people today are generally dissatisfied with the foreign policy of the United States and that they wish to see foreign policy subordinated to priorities dictated by internal conditions. This sentiment was reflected in President Ford's statement to Congress on the 11th April 1975, in which he declared that:

"Our economy cannot be left to the mercy of decisions over which we have no control".

Ford's statement contained, in essence, an acknowledgment that the United States would no longer play the leading role in the international forum, or, in other words, that the United States has entered a post-imperial phase in its history.

## DEVELOPMENTS IN THE INDOCHINA REGION

Needless to say the conclusion of the war in Indochina does not, by itself, signify an end to the problems confronting Southeast Asia in particular or the world in general. It does, however, mark the beginning of a new chapter in the history of Southeast Asia.

A lesson that is heavily underlined by the defeat of the South Vietnamese forces is that military and economic strength alone are not sufficient as a basis from which to wage a national struggle — also required are qualities such as dedication, motivation, and great willpower. The end of the war signifies the decline of American supremacy and the inappropriateness of attempts to apply Western democracy in developing countries without taking seriously into account the prevailing

social, economic, cultural and political realities. The exodus of refugees from areas wrested by the communists proves that the bulk of the people of South Vietnam are non-communist, but it does not mean that they are anti-communist. Although, in terms of passive popular support the Vietcong were a minority force, the low level of nationalist consciousness among the people, together with such factors as the lack of clearly articulated goals and the glaring socio-economic contrasts between the way of life of the ordinary people and that of the South Vietnamese leaders, resulted in a situation in which the level of popular participation in the anti-communist struggle was marginal.

President Thieu's ill-conceived decision to withdraw his troops and to avoid battle resulted in three fatal consequences: firstly, the collapse of moral within the South Vietnamese armed forces; secondly, panic among the people and the troops; and third, the loss of about US\$ 1 billion worth of military equipment. The disastrous decision to withdraw was due to the failure of President Thieu to anticipate the reactions that his decision was bound to produce in the United States as well as within both the military and civilian sectors of his own society.

The total collapse of moral among the South Vietnamese forces that resulted from the decision to retreat produced a situation that could not have been retrieved merely by the provision of new equipment, no matter in what quantity it may have been provided. This fact was clear to all and obviously was a major explanation for the Congressional rejection of President Ford's last minute request for emergency aid. If the United States had been determined to save South Vietnam at that stage, there would have been no other way to do it than to reintroduce American troops and recommence B52 raids, both of which courses of action were clearly politically impossible. The United States, if it had attempted such action, would have lost all that it had gained in the Paris negotiations, and there can be little doubt that Congress would not have agreed to such a policy.

An alternative approach to the problem at that time — negotiation among the forces on the ground in South Vietnam — was virtually ruled out by the intransigence of the Thieu



faction. In order to render such negotiations feasible, it would have first have been necessary to get rid of Thieu. That such a course of action received serious consideration in the U.S.A. would seem to have been implied by Kissinger in an interview given on the 5th April, when he commented that:

"The major debate that then occurred was whether the United States should deliberately overthrow the government with which it was associated, and that we refused to do").

Notwithstanding Kissinger's denial of the existence of a plan to overthrow Thieu, there can be little doubt that the United States played a role in bringing about Thieu's decision to step down.

## SOUTHEAST ASIA AFTER THE WAR

Insofar as it predicts the direct physical expansion of Vietnamese communism into neighbouring states, the "domino theory" is over-simplistic and therefore misleading. The "domino theory" is acceptable, however, in the wider sense of predicting that the communist victory in Indochina will boost the morale of communist forces throughout the rest of South-east Asia and that this will result in intensified communist activities such as have already occurred in Malaysia and Thailand. Given the amount of military equipment now in the hands of the Vietnamese communists, and their unparalleled experience in guerilla warfare, the possibility of Vietnam providing military assistance, in the form of both training and materiel, to communist groups outside its borders must be given serious consideration.

In this context, it is important to consider the range of possible future developments in the Indochina area. It remains an open question as to whether nationalism or communism will prove to be the predominant influence in Vietnam. If the latter force turns out to be the stronger, what type of communism is likely to result?

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<sup>1</sup> BACKGROUNDER, 9 April 1975.

One thing that may be taken as given is that aid will continue to be provided to the countries of Indochina by both the USSR and the CPR. The USSR and the CPR are equally determined to prevent Indochina from falling under the sole influence of the other, however, it is not yet possible to predict just what form the competition for influence between these two great communist powers will take.

In the interest of developing its economy, Vietnam will seek to avoid any possibility of direct confrontation with China. On the other hand, Vietnam will also not permit China to exert total influence over Vietnamese affairs. Reports of minor clashes along the Sino-Vietnamese border would appear to indicate that the possibility of greater clashes occurring in the future is not inconsiderable. In the face of such possibilities, Vietnam needs to establish a new balance in her international relationships. If placed under pressure and confronted with no other option, Vietnam would probably tend to seek the support of the Soviet Union.

Recent developments in the Khmer Republic appear to indicate increasing Chinese influence in that country, a trend which poses a threat to Vietnam and opens up the possibility of a dangerous confrontation developing between Chinese influence exerted via Cambodia and Soviet influence working through Vietnam.

If they are to prevent their region from becoming an arena for confrontation between China and the Soviet Union, then the states of Indochina must choose among three options. First, they could seek to balance Soviet and Chinese influence by opening their doors to economic aid from other countries, such as Japan, the U.S.A., and Western Europe, particularly France, at least until such time as their own internal capabilities permit them to exercise the necessary balance alone. Secondly they could form a new system of regional cooperation among themselves, although their capacity to assist each other in the immediate post-war period remains severely limited. The other option is to join the existing system of regional cooperation, i.e. ASEAN. Whether ASEAN is capable of accom-



modating the interests of the Indochina states depends upon the degree to which ASEAN has consolidated itself and the level of its capacity to adjust to the post-war situation.

On the basis of the above discussion, it may be concluded that the states of Southeast Asia outside of Indochina face two distinct but closely interrelated problems: the problem of working out viable foreign policy stances, particularly towards the Indochina states, and the problem of formulating means of dealing with a possible increase in the level and intensity of communist activities within their borders.

Indonesia, in accordance with her free and active foreign policy, would be wise to adopt an accommodative approach to external relations while simultaneously maintaining a high degree of vigilance against the danger of the growth of communist forces. The latter aspect requires that Indonesia give more concrete form to the doctrine of national resilience, notably by improving the standard of living of the ordinary people. Tougher measures must be taken against those activities which, in the economic and social spheres as well as in the security sector, facilitate the expansion of communist influence. This means that efforts to reduce the gap between the rich and the poor must receive top priority, because the persistence of such a gap represents the major source of the situations of social conflict and tension in which communism thrives. Practices such as land speculation, the hoarding of vital goods, and corruption must be dealt with firmly and promptly.

The possibility of internal conflict arising over sensitive issues such as religious and ethnic differences must be reduced to a minimum. Whenever such conflicts begin to develop, they must be dealt with promptly and with a maximum of tact and understanding.

In responding to the changes that have taken place in Indochina, and in the world in general, Indonesia needs to combine a flexible and accommodating approach with the ability to obtain maximum advantage from existing relationships, such as ASEAN, diplomatic relations with Hanoi and Saigon, and Indonesian membership in multilateral and non-block forums.

Without losing sight of the fact that the primary purpose of ASEAN is to advance economic cooperation, greater attention needs to be devoted to the development of cooperation among the ASEAN states in matters of defence and security than has so far been the case. Efforts to obtain the realization of the proposals for a zone of peace and neutrality in Southeast Asia need to be stepped up, and towards this end a prompt solution to the issue of whether or not foreign military bases are required in the region must be found.

The phased removal of foreign military bases, in synchronization with the development of the defence capabilities of the ASEAN countries concerned, would appear to be something that could be commenced immediately, particularly in Thailand and the Philippines.

As part of the overall effort to consolidate ASEAN, the proposed Conference of ASEAN Heads of State is to be welcomed and should be held as soon as possible. An ASEAN Permanent Joint Secretariat should be established immediately to facilitate better communications among the member states.

Maximum benefits should be sought from the diplomatic relations existing between Jakarta and Hanoi in order to improve relations between ASEAN in general, and Indonesia in particular, and the states of the Indochina area.

Against this background, greater attention needs to be given to studying the prospects for the normalization of relations between Indonesia and the People's Republic of China, although it must be realized that the normalization of relations with China will not serve as a guarantee that subversive activities and communist infiltration will decrease, a fact demonstrated in the case of Malaysia.



# NEW ZEALAND AND INDONESIA: THE EVOLVING RELATIONSHIP IN REGIONAL PERSPECTIVE

J. Stephen HOADLEY

## INTRODUCTION

New Zealand and Indonesia are so dissimilar in so many respects that the first question arising from a consideration of their present relationship is why such a relationship should have evolved at all. Not only are the two countries different in their historical experiences, cultural values, economic patterns, and forms of government, but also they lie sufficiently far apart that they could reasonably ignore each other, as they virtually did for the first half of this century.

But in an interdependent world dissimilarity and distance do not preclude mutuality of interests as perceived by government leaders and private entrepreneurs. Political and economic interests may bridge differences that separate ordinary citizens of distant countries. Thus, common interests between New Zealand and Indonesia in security, functional cooperation and economic exchange have motivated the national leaders to initiate and maintain diplomatic and economic ties that have survived a near war and changes of governments in both capitals to become accepted aspects of the two countries' patterns of international intercourse. This is not to say that the ties are extensive or vital in either party's eyes, for they are not, relative to other commitments. But they are substantial and varied, and sustained by patient efforts by leaders on both sides to find, extend, and develop areas of compatibility.

How bilateral ties have grown and whether they will continue to do so in the coming decade, and why or why not, are the concerns of this essay. The following pages trace the evolution of New Zealand's relations with Indonesia to show how diplomatic and economic ties have developed through four broad phases during the past quarter century. Then the present bilateral relationship is analysed in the context of New Zealand's and Indonesia's wider interests and policies to lay the groundwork for speculations as to the future of the relationship.

## THE RELATIONSHIP IS ESTABLISHED

The Republic of Indonesia was proclaimed by Ir. Sukarno and Dr. Hatta on behalf of the nationalist movement on 17 August 1945. During the four years that ensued, as the Dutch contested the claims of the new indigenous government and attempted to restore the colonial relationship by force of arms, New Zealand's leaders became increasingly aware of the threat the Dutch-Indonesia struggle posed to the stability of the region. But the New Zealand Government confined its diplomatic activities to offers of counsel through United Nations channels<sup>1</sup>. Private New Zealand firms continued to import petroleum products, tea, coffee, and spices from Dutch-owned companies of the East Indies. In 1949 New Zealand sent an observer to the Conference of Far and Middle East Asian Countries held in New Delhi. While the conference issued a condemnation of the Dutch "police actions" against the indigenous Indonesian government and urged the Dutch to grant independence to Indonesia immediately, New Zealand remained silent on the issue and did not associate itself with the final communique of the conference.

By late 1949 political opposition in Holland, American diplomatic pressure, and spirited military resistance by the Indonesian forces had compelled the Dutch government to agree to transfer sovereignty to the Indonesians. Immediately this was done, the New Zealand Government on 27 December,

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<sup>1</sup> ANNUAL REPORT OF THE N.Z. DEPARTMENT OF EXTERNAL AFFAIRS 1 APRIL 1948 — 31 MARCH 1949. p. 21.



1949 dispatched a "message of greetings and goodwill in terms that constituted recognition"<sup>2</sup>. This marked the beginning of New Zealand's official relations with the Republic of Indonesia. The first ministerial level contact between the two governments was initiated by New Zealand's Minister of External Affairs who in January 1950 took the opportunity to stop in Jakarta on his way home from the Commonwealth Foreign Ministers Conference held in Colombo, Ceylon, "to convey the good wishes" of New Zealand to the leaders of the new Indonesian government<sup>3</sup>.

That the new Republic was of concern to New Zealand even at this early date was suggested by the Minister of External Affairs' reference to it in Parliamentary debates on New Zealand's potential contribution to the Colombo Plan aid programme to South and Southeast Asia. On 12 July 1950 F. Doidge proposed extending technical assistance to Indonesia as well as to half-a-dozen other Asian nations<sup>4</sup>. New Zealand's initial Colombo Plan contributions were initially centred on the South Asian Commonwealth countries, India, Pakistan, and Ceylon, which nations got three-quarters of the capital grants allotments for the first several years of the programme. But Indonesia was for a time a close fourth among Colombo Plan recipients and the leading recipient in Southeast Asia until overtaken by Malaysia and Thailand. As early as 1953 negotiations were begun for a capital grant to assist construction of a vocational training centre in Malang in conjunction with the International Labour Organisation. The vocational training centre eventually received a total of \$ 453,270 from New Zealand<sup>5</sup>. Aid for training of Indonesians found support not only in Government but also among the Opposition, as evidenced by W. Freer's call in Parliament for assistance to train middle-level managers and trade union officials in Indonesia<sup>6</sup>. This was followed in 1955 — 1956 by

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<sup>2</sup> Ibid., 1949 — 1950; p. 22.

<sup>3</sup> Ibid.

<sup>4</sup> NEW ZEALAND PARLIAMENTARY DEBATES (hereafter NZPD), Vol. 289, pp. 338—340.

<sup>5</sup> Figures on aid expenditures supplied by the External Aid Division of the N.Z. Ministry of Foreign Affairs.

<sup>6</sup> NZPD, Vol. 299, P. 1892.

grants for an asbestos sheet and pipe factory in Surabaya for which \$ 211,050 was eventually allocated<sup>7</sup>. In 1961 negotiations began for support of an agricultural school in Medan.

Parallel to the capital grants programme was a programme of technical assistance. This took two forms: the bringing of Indonesians to New Zealand for training and the dispatch of New Zealand advisers to Indonesia. In 1953 four students were received and one adviser sent. By 1962, 231 students had received training in New Zealand and forty-two New Zealand advisers had served in Indonesia, making Indonesia the largest recipient of New Zealand's technical assistance aid, just ahead of Malaysia<sup>8</sup>. New Zealanders served in the English Language Teaching Programme and the Volunteer Graduate Scheme as well as in specialised aid contract roles.

Turning to institutional ties between the two countries during this period, we find that the technical assistance commitment led to the establishment by New Zealand of a permanent Colombo Plan mission in Indonesia in 1957, and subsequently to the establishment of a consulate-general in 1961 and a legation in 1963. New Zealanders working in Indonesia also relied on assistance from the New Zealand Commission in Southeast Asia which had been established in Singapore in 1955 and which, in conjunction with the Indonesian mission in Canberra, accredited to New Zealand, handled diplomatic contracts between New Zealand and Indonesia.

Trade during the 1950s continued as in prior decades, with New Zealand importing several millions of dollars' worth of mineral and agricultural products from Indonesia annually and exporting in return a few thousand dollars' worth of processed pastoral products. (See Table 1). The New Zealand Trade Commissioner based in Singapore made regular trips to Indonesia but found that Indonesia's import controls and lack of foreign exchange limited New Zealand's ability to expand exports<sup>9</sup>. Nevertheless, in the late 1950s the New Zealand Dairy Board, which had established a representative in Singapore,

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<sup>7</sup> Colombo Plan Consultative Committee, *ANNUAL REPORT 1956* and subsequent years.

<sup>8</sup> *Ibid.*, various years.

<sup>9</sup> NZPD, Vol. 331, p. 1793.



began sending sales agents to Indonesia. Sales did not amount to much initially, but the Dairy Board became virtually the first New Zealand exporting organization to gain experience on the marketing of New Zealand products in Indonesia, experience that was to make it the leading exporter a decade later.

In spite of these diplomatic aid and trade ties, New Zealand's and Indonesia's interests diverged at several points during the 1950s. New Zealand did not support Indonesia's claim to West Irian but rather opined that "Indonesia has no inherent right to West New Guinea" and that it would not be desirable to bring Papuans under Indonesian administrative control<sup>10</sup>. New Zealand supported the notions of regional and collective security and became a willing participant in the Australia-New Zealand-United States Security Treaty (ANZUS), and the Southeast Asia Collective Defense Treaty (SEATO), and associated with the Anglo-Malaysian Defense Agreement (AMDA). Indonesia, in contrast, pursued a policy of non-alignment and carefully avoided joining or even supporting military pacts in the region. Possibly this was one of the reasons why New Zealand was not invited to participate in the Conference of Non-aligned Afro-Asian Nations convened by Indonesia at Bandung in 1955, although she was permitted to send an observer.

President Sukarno's emergence in the mid-1950s as a charismatic leader, the nationalisation of Dutch enterprises in 1957, and harassment of Chinese residents in 1959 alarmed New Zealand officials, as did the increasingly aggressive stance Indonesia assumed internationally. Sukarno's rhetorical division of the world into "new emerging forces", led by Indonesia, and "old established forces", including New Zealand, and his increasing reliance on diplomatic, economic, and military support from the Soviet Union, then the People's Republic of China, dismayed the New Zealand Government and made bilateral cooperation increasingly difficult. A less dramatic but to New Zealand officials no less irritating disagreement grew up over the technical aid programme. Indonesian officials expressed less interest in technicians and teachers and requested

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<sup>10</sup> ANNUAL REPORT OF THE N.Z. DEPARTMENT OF EXTERNAL AFFAIRS 1 APRIL 1950 — 31 MARCH 1951, p. 16.

instead advisers with Ph. D. degrees and other impressive credentials, implying that the prestige value of the advisers was more important than their experience, ability, or potential contribution. New Zealand did not have such individuals in abundance as did, for example, the United States, and could not comply with the request. This led New Zealand technical aid officials to feel that their efforts for the past decade had not been appreciated and hastened the run-down of the technical aid programme in the early 1960s<sup>11</sup>.

## THE CONFRONTATION PERIOD

The low point of New Zealand-Indonesian relations was reached during the period 1963—1965. In early 1963 President Sukarno, with the support of the Indonesian Communist Party and the concurrence of the armed forces, initiated a campaign of harassment against the proposed Federation of Malaysia. Indonesian volunteers mounted attacks along the borders of Sarawak and Sabah (then called North Borneo) and infiltrated the west coast of Malaya itself. The New Zealand Government, which regarded the security of Malaya as a fundamental objective in Southeast Asia, voted a special programme of military aid to Malaya, then Malaysia, valued at over \$ 4½ million. New Zealand troops were deployed, first to rear areas of Malaya to relieve Malaysian troops for front-line duty, then to combat positions in the Borneo states. In 1965 over 1,300 New Zealand troops were deployed in Malaysia<sup>12</sup>.

It is tempting to describe this period as a hiatus in New Zealand-Indonesian relations. It is true that the number of New Zealand technical aid advisers in Indonesia dropped to zero by 1965, and that plans to provide capital assistance to the Medan Agricultural Faculty were postponed, then abandoned. Total Colombo Plan disbursements to Indonesia dropped to a low of \$ 51,600 during the 1965—1966 financial year. (See Table 2). New Zealand's imports from Indonesia declined to \$ 670,080 and exports to Indonesia fell to \$ 5,698 in 1964—1965, the

<sup>11</sup> NEW ZEALAND EXTERNAL AFFAIRS REVIEW (hereafter EAR), Vol. 13 (September 1963), p. 23.

<sup>12</sup> Richard Kennaway, NEW ZEALAND FOREIGN POLICY 1951 — 1971 (Wellington: Hicks Smith, 1972), p. 56.



lowest since 1957. Nevertheless, New Zealand's diplomatic officers remained at their posts and Indonesian students continued to be selected and invited to New Zealand throughout the period; further, a Parliamentary delegation visited Indonesia in 1963, during the first flowering of Confrontation. Relations were not strained to the breaking point for several reasons. New Zealand's military assistance to Malaysia was minimal in comparison with Britain's and Australia's, and New Zealand troops, with the exception of a few units in Sarawak, were deployed mainly in rear areas. New Zealanders clashed with Indonesian troops on only a couple of occasions<sup>13</sup>. New Zealand as a nation posed no threat to Indonesia either as a military power or a neo-colonial force, as New Zealand's diplomats pointed out to Indonesian officials. New Zealand's public statements on the affair tended to lay the blame for Confrontation on President Sukarno's aggressive policies rather than on Indonesia's interests as a nation<sup>14</sup>, and tended to avoid escalating the rhetoric of conflict beyond that necessary to justify defence of Malaya/Malaysia. The emphasis remained on supporting Malaysia rather than fighting Indonesia.

### NORMAL RELATIONS RESUMED

The Indonesian Communist Party's actions of 30 September/1 October 1965 set in train events leading to President Sukarno's displacement by General Soeharto by March 1966 and to the subsequent abandonment of the Confrontation policy by Indonesia. Steps to stabilise the economy followed. In August 1966 the New Zealand Prime Minister, Keith Holyoake, mentioned in Parliament that he looked forward to renewed partnership with Indonesia in the context of the Colombo Plan, indicating that a resumption of normal relations was being

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<sup>13</sup> See Harold James and Denis Sheil-Small, *THE UNDECLARED WAR* (London: Leo Cooper, 1971), pp. 162 — 165, for accounts of several skirmishes between New Zealand and Indonesian troops in Sarawak.

<sup>14</sup> See, for example, the Prime Minister's statement in NZPD; Vol. 338, p. 421.

considered by the Government<sup>15</sup>. In February 1967 New Zealand sent an observer to the first meeting of the Inter-Governmental Group on Indonesia (IGGI) held at The Hague, a consortium of nations desiring to coordinate their aid programmes to Indonesia, and in September 1967 the two countries agreed to raise their respective legations to embassy status. The move received bi-partisan approval in New Zealand<sup>16</sup>. New Zealand's first ambassador to Indonesia, R.L.G. Challis, took up his post in March 1968, just a month after the Minister of Defence, G. Thomson, had visited Jakarta "to make contact with Indonesian leaders and hear their views on matters of common interest"<sup>17</sup>. In April 1968 the Indonesian Foreign Minister, Adam Malik, paid an official visit to Wellington, on which occasion both the Prime Minister and the Leader of the Opposition, Norman Kirk, agreed that more aid, trade, and official contact should be encouraged<sup>18</sup>. The following month six Indonesian parliamentarians toured New Zealand.

The resumption of Colombo Plan aid was signalled by the seconding of a Ministry of Works soil engineer to the Indonesian Public Works Department in August 1968. He was followed by an English language teacher. Regarding capital aid, the Agricultural Faculty project was reconsidered, but aid was restricted to books and equipment. The major new item of this transition period was a grant in 1970 of four New Zealand-made Airtourer aircraft and spares, and this was followed by technical assistance for air search and rescue training. Trade recovered somewhat in the immediate post-Sukarno period, but remained at a lower volume than before. (See Table 1). Imports from Indonesia were valued at less in the latter half of the 1960s than in the first half. Exports, on the other hand, were on the average up slightly reflecting the effects of Government-assisted trade missions which visited Indonesia in 1967 and 1969.

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<sup>15</sup> NZPD, Vol. 347, p. 1966. Also see NZPD, Vol. 355, pp. 644 — 645.

<sup>16</sup> See, for example, Mr. A. Faulkner's speech in NZPD, Vol. 355, pp. 644—645.

<sup>17</sup> EAR, Vol. 18 (February 1968), p. 60. Also see *ibid.*, pp. 42—43 on the new ambassador.

<sup>18</sup> EAR, Vol. 18 (April 1968), pp. 10—18.



## THE PRESENT DECADE

In the fourth and present phase, encompassing the period 1970 - 75, New Zealand's involvement with Indonesia has grown at an unprecedented rate. Growth in official ties has been most visible in increasingly frequent diplomatic contacts between the two governments at the highest levels. In 1970 New Zealand's Prime Minister, Keith Holyoake, visited Indonesia, and in 1972 Indonesia's President Soeharto returned the visit. The new Labour Prime Minister, Norman Kirk, visited Indonesia in late 1973<sup>10</sup>. Each of these visits was marked by cordiality on both sides and reciprocal pledges of friendship and cooperation. Criticism by groups of New Zealanders of Indonesia's harsh treatment of Communist Party members and individuals suspected of involvement in the 1965 GESTAPU Affair resulted in a query by Mr. Kirk but President Soeharto's answer that it was an internal affair seems to have satisfied New Zealand's leaders and the matter did not prove to be an impediment to the relationship.

Reinforcing these summit contacts have been frequent exchanges of visits by cabinet ministers, high ranking civil servants, parliamentary delegations, and party leaders of the New Zealand opposition, Mr. J.R. Marshall and Mr. R. Muldoon. In 1972 New Zealand added a Trade Commissioner, in 1974 a Military Attaché, and in 1975 a Third Secretary to her Jakarta mission, while the Indonesians assigned a resident Ambassador to their Wellington mission in 1973, and in November 1974 designated it a "Kedutaan Tingkat Negara Penting" or an important-country embassy.

Less visible have been defence and military relations for the simple reason that they have been less frequent or formal. The two countries are not bound by any formal military pact, and Indonesia continues to shun such entanglements. New Zealand's present commitment to the ANZUK or Five Power

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<sup>10</sup> The MONTHLY REVIEW, Vol. 3 (November - December 1973) pp. 1-3, published by the Centre for Strategic and International Studies, Jakarta; found Mr. Kirk's visit significant in that it indicated a lessening of New Zealand's dependence on United States foreign policy and a stronger orientation towards Southeast Asia. The commentator also noted that New Zealand-Indonesian bilateral relations were a step toward wider regional cooperation.

Defence Arrangement, now centred on Singapore, is accepted by Indonesia as a temporary measure contributing to the stability and security of the Southeast Asian region, but Indonesia has no intention of participating in it or any similar arrangement, such as a militarized ASEAN. Nevertheless, military officers from each country regularly pay courtesy calls and make inspection tours in the other. For example, the frigate *Taranaki* called at Belawan, North Sumatra in September 1974 and the Commander of New Zealand Forces in the Far East, Brigadier Kennedy, conferred in Bali with the Commander of Indonesia's 16th Military District in December<sup>20</sup>. In the past several years high-ranking Indonesian officers have visited New Zealand to tour local installations, such as the Deputy Commander-in-Chief of the Armed Forces, the Army Chief of Staff, the Chief of the Army Training Command, the Commander of Navy Shore Installations, and officials and training teams from the Department of Defence and Security. New Zealand and Indonesia have no permanent military liaison arrangements save those contacts maintained through the N.Z. Military Attaché, Col. A. Armstrong, in the Embassy in Jakarta, by consultations in Indonesia by the N.Z. Minister of Defence, which are planned to occur annually, and by exchange visits and consultations by officers of the two states. Since late 1973 New Zealand has been supplying material and technical expertise for dental training and management training under the Mutual Assistance Programme funded by the Defence Vote<sup>21</sup>. The armed services of the two countries are planning to conduct joint military exercises during the next couple of years, starting with the trial naval exercise of June, 1975.

Official aid contacts have grown rapidly in the past half decade. The Colombo Plan allocation to Indonesia was less than one hundred thousand dollars in 1969 - 70. It rose to over one-half million dollars the following year. After a slight drop the next year the climb resumed and official development assistance reached over one and one quarter million dollars in 1973 - 74 and approached three million dollars by 1974 - 75. This

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<sup>20</sup> These and other visits mentioned below have been noted in Indonesian and New Zealand press items and in N.Z. FOREIGN AFFAIRS REVIEW.

<sup>21</sup> N.Z. HERALD, 3 August 1974, and Ministry of Defence letter dated 26 March 1975



figure may double again in the next two years if Government's present targets are met. (See Table 2). Aid has not only grown but also diversified, from the pre-Sukarno stress on educational projects such as students to New Zealand and teachers to Indonesia, to a new stress on technical assistance projects making use of New Zealand private engineering, agricultural, and other technical expertise. The handful of projects executed in the 1950s have proliferated into 33 separate projects being executed or planned for the period 1975 - 78. (See Table 4). Pursuant to administering this aid New Zealand joined the Inter-Governmental Group on Indonesia (IGGI) in December 1971 and has added staff to the External Aid Division in Wellington and the Embassy in Jakarta.

The rapid increase of aid to Indonesia was partly due to Indonesia's obvious needs, her Western-oriented post-Sukarno economic development policies, and her specific requests to potential donor countries for all sorts of assistance. As well, two changes in New Zealand's overall aid policy contributed to the increase. First there was a series of decisions beginning in 1969 to increase the Colombo Plan vote, doubling it from the level of the past decade, from \$ 2 million to \$ 4 million<sup>22</sup>, and subsequently increasing it further. New Zealand's total aid programme, which includes bilateral and multilateral aid, special relief aid, trade credits and loans, and other items, increased steadily in the 1970s in both dollar and proportionate terms, particularly after the new Labour Government committed itself to reaching the 0.7 percent of GNP target for official development assistance by 1976<sup>23</sup>. Of this aid Indonesia got an increasingly large proportion until she was second only to the Cook Islands amongst all recipients of New Zealand aid<sup>24</sup>.

The second change was the new policy announced in 1969 by the Prime Minister, Keith Holyoake, of involving the private sector more closely with the aid programme<sup>25</sup>. Under this

<sup>22</sup> EAR, Vol. 19 (June 1969), pp. 50—51.

<sup>23</sup> NEW ZEALAND FOREIGN AFFAIRS REVIEW, Vol. 23 (June 1973), p. 16. The National Government had accepted the 1 percent of GNP target but had specified no date for its achievement.

<sup>24</sup> Comparative figures are available in N.Z. Ministry of Foreign Affairs, THE FLOW OF RESOURCES FROM NEW ZEALAND TO DEVELOPING COUNTRIES 1972/73.

<sup>25</sup> EAR, Vol. 19 (June 1969), pp. 56—57 and (July 1969), pp. 24—25.

policy private firms were invited to propose projects which they could execute in recipient nations; it was implied that the firm proposing the project would be given the contract to execute it provided the project were desirable and feasible and the firm capable of doing the work. This policy was designed primarily to augment the aid programme, Government spokesmen have stressed, but at the time many of its supporters saw it also as a way to provide New Zealand experts opportunities to gain overseas experience and subsequent contracts, to conserve foreign exchange by paying New Zealanders rather than foreigners to do the work, and to stimulate exports of aid project-related materials. These objectives were held to be compatible with serving the needs of developing countries<sup>26</sup>.

Within the next three years, through March 1973, \$ 6,363,050 worth of contracts for projects in seven Southeast Asian nations were let to private firms, including ENEX (Engineering Exports Association), ANZDEC (Asia New Zealand Development Consultants), Geothermal Energy Ltd., JASMAD, Kingston Reynolds Thom and Allardice, Aero Engine Services, A.B. Contracting Services, Hamilton Marine, and Crown Lynn<sup>27</sup>. Of this sum Indonesia received the largest share: \$ 1,947,000 or 30.6 percent of the Southeast Asian total 1970 - 73<sup>28</sup>. Projects in Indonesia included survey and design of highways, land and livestock development, work on water reticulation, development of geothermal power, and civil aviation assistance. The ENEX consortium, represented either by its constituent firms or special project teams, has executed the majority of projects since this policy was initiated.

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<sup>26</sup> These latter arguments may be reviewed in Bruce Brown, ed., *INTERNATIONAL AID AND THE BUSINESS COMMUNITY* (Wellington: NZIIA, 1970; *REPORT OF THE OVERSEAS MARKETS AND EXPORTING COMMITTEE TO THE NATIONAL DEVELOPMENT CONFERENCE (MAY 1969)*, pp. 20, 74, 76, and Annex II; *REPORT OF THE MANUFACTURING COMMITTEE TO THE PLENARY SESSION OF THE NATIONAL DEVELOPMENT CONFERENCE (MAY 1969)*, pp. 17, 53, and "The Case for An Expanded External Aid Programme as a Stimulant to the New Zealand Economy and Export Drive", (stencilled official background paper made available by National Development Conference Secretariat).

<sup>27</sup> Information on projects, contractors, and value of contracts from External Aid Division; Ministry of Foreign Affairs.

<sup>28</sup> *Ibid.*



Turning to New Zealand-Indonesia trade contacts, one finds a similar intensification in the 1970s. New Zealand's exports to Indonesia have almost doubled in value annually during the past five years, rising from one-half million dollars in 1969 - 70 to over one million dollars the following years, two and one-half million dollars in 1971 - 72, and over seven million dollars in 1974. (See Table 1). Exports have diversified as well: a break-down by statistical heading showed 37 types of exports in 1968-69 and 73 types of items in 1970-71<sup>29</sup>. Milk and milk products continue to predominate among exports, but manufactured goods, particularly paper and other wood products, have increased their share of the total in recent years. Imports from Indonesia, however, have not kept pace, and recently fell below one million dollars annually.

A major policy innovation stimulating New Zealand's exports to Indonesia was decided upon by the Cabinet in June 1969 and announced in November. This was the decision to offer credit worth \$ 500,000 to Indonesia<sup>30</sup>. The credit was to be extended by the Reserve Bank for purchase of New Zealand export products. The loan carried a concessionary 3 percent interest rate and a seven-year grace period, after which Indonesia has eighteen years to repay capital plus interest. It therefore qualified as "official development assistance" or aid according to the definition laid down by the Development Assistance Committee of the Organization for Economic Cooperation and Development. This was the first credit of its kind. It differed both from the previous Government-guaranteed loans made to Western Samoa for harbour development and to India for wool purchases and from the subsequent commercial credits extended to Chile and Peru for dairy purchases, for it alone qualified as aid, the others being defined as commercial transactions.

The initial idea for the credit arose as a result of participation as an observer at semi-annual IGGI conferences, where New Zealand's representatives had ample opportunities to learn how America, Japan, and Australia used loans of this sort to secure trading footholds in the newly liberalized Indonesian

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<sup>29</sup> Department of Statistics, NEW ZEALAND EXPORTS 1968-69 and 1970-71.

<sup>30</sup> EAR; Vol. 19 (November 1969), pp. 37-38.

market. A specific proposal was made by an official associated with the Treasury who accompanied the annual Colombo Plan Mission to Indonesia in late 1967 and returned to advocate an export-stimulation policy similar to those of other donor nations working in Indonesia<sup>31</sup>. As in the proposal to link aid and engineering services, the proposal to extend credit to Indonesia quickly found backers, for example, in the New Zealand Dairy Board and among other private producer-exporters with capacity to market in Southeast Asia, in the Treasury and the Department of Industries and Commerce, and amongst Cabinet ministers with external trade responsibilities.

The task of hearing the views of all interested parties, of collating and sifting details, of holding interdepartmental consultations, and negotiating with the Indonesian government took several months. Then the proposal went to the Committee of officials on Economic and Financial Questions where, according to one member, it was approved without dissent. In March 1969, it was taken up by the Cabinet, and in June the decision to extend the credit was made. More negotiations with Indonesia followed; the arrangements were not completed until April 1970, whereupon the funds actually became available and Indonesian purchases began. The credit has been renewed each year since. In 1972—1973 it was not only renewed but also supplemented by an additional \$ 250,000 in response to urging by the Manufacturers' Federation and the participants in the 1972 trade delegation to Indonesia, who wanted to be able to accept new orders. In 1973—1974 the announced credit was \$ 750,000.

A substantial beneficiary of the Indonesian trade credit has been the Dairy Board, whose products have made up over half of all New Zealand's exports to Indonesia in recent years. The latest Department of Statistics figures available at the time of writing show exports of milk and cream worth \$ 364,998 during the first half of the 1971—1972 trade year, representing 62 percent of exports to Indonesia by value<sup>32</sup>. Dairy Board figures comparing 1969—1970 sales to those of 1970—1971

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<sup>31</sup> The following account was related in confidence; the principals prefer to remain unnamed.

<sup>32</sup> Department of Statistics, EXTERNAL TRADE OF NEW ZEALAND JULY — DECEMBER 1971.



and 1971—1972 document the jump in dairy exports to Indonesia, an increase at least partially attributable to the credit<sup>33</sup>.

The Board normally works closely with the Government, particularly with officers of Treasury, Trade and Industry, and Agriculture, and had advocated the Indonesia credit. Moreover, the Dairy Board had been active for over ten years in Southeast Asia and elsewhere developing new export markets, so that the credit, while welcome, was not vital to the Board's ability to find outlets. Because the Dairy Board had experienced sales representatives in Singapore, and because these men moved vigorously into Indonesia as that country opened its markets to foreign suppliers, it was natural that they should capture the market opened by the credit as well.

Interest in the trade credit picked up as well among other business groups as they became more aware of Indonesia's market potential through the Government-assisted trade missions, the establishment of the Trade Commissioner's office in Jakarta, the creation of the New Zealand Indonesia Economic Promotion Council in 1972, and advisory services and publication of relevant information by the Department of Trade and Industry. The Jakarta Trade Fair brought 19 representatives of 28 New Zealand firms to Indonesia in June 1973 (see Table 5) and, according to Mr. Ian Howell, President of the Canterbury Manufacturers' Federation, \$ 700,000 worth of orders were negotiated on that occasion<sup>34</sup>. During the period 1972 to early

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<sup>33</sup> While only a fraction of Dairy Board sales has been financed by the Reserve Bank's Indonesia credit; it can be argued that the credit nevertheless contributed to the sales increase. It not only opened up a new channel for financing sales but also signified a commitment to a policy of trade encouragement by the two governments. I conclude that the credit directly financed about one-quarter of the sales INCREASES during 1970—73 and indirectly stimulated a portion of the balance by creating a climate of confidence, opportunity, and demand. For further discussion of how aid can be used to enhance marketing of dairy products see Economics Section, New Zealand Dairy Board, "Factors Affecting the Market Potential for Dairy Products in Indonesia" (stencil, 31 January 1972). On p. 68 the report concludes, "Foreign exchange loans together with food aid provide the most direct methods of giving aid which will assist in increasing dairy exports to Indonesia".

<sup>34</sup> N.Z. HERALD, 18 July; 1973.

1975 an average of 20 New Zealand exporters per month have visited the office of the New Zealand Trade Commissioner in Jakarta<sup>35</sup>

New Zealand's private sector contacts in Indonesia, aside from trade and aid projects involving the private sector, include private charity, investment, executing of service and managerial contracts, and tourism. Private charity is varied and small in scale. Volunteer Service Abroad has had one volunteer in Indonesia for the past several years, and in 1974 invited to New Zealand three trainees from a sister programme called Butsi. World Vision sends \$ 40,000 annually to support Indonesian child care and education projects, and several New Zealand missionaries are doing educational, medical, and social work there. The total value of private charity to Indonesia is miniscule compared with that of official development assistance.

No systematic figures on investment in Indonesia by New Zealand firms are kept by the Reserve Bank. New Zealand Embassy officials in Jakarta are aware of at least three joint ventures in which New Zealand firms are participating with capital and managerial and technical expertise. New Zealand investors include the engineering firms of McConnell Dowell, the consultants Beca Carter Hollings and Ferner and the New Zealand Insurance Company.<sup>36</sup> The Fletcher Group has invested an undisclosed amount in Jakarta construction projects in association with an Australian consultancy firm<sup>37</sup>. Anticipated investments in two Surabaya projects by the ENEX group, disclosed in 1973, did not materialize because of altered conditions in Indonesia and changed ENEX staff. Indonesian figures show New Zealand 26th among foreign investors up to December 1973 with a total investment of \$ 0.9 million<sup>38</sup>.

Two service contracts and one managerial contract are being executed by two ENEX teams and Wattie Industries<sup>39</sup>,

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<sup>35</sup> Interview with Mr. D. Kininmonth, 17 January 1975.

<sup>36</sup> N.Z. HERALD, 14 January 1975.

<sup>37</sup> N.Z. HERALD, 11 April 1973.

<sup>38</sup> Bank of Indonesia, *INDONESIAN FINANCIAL STATISTICS* Vol. 7 (January 1974), "Foreign Investment Projects Approved by the Government -- Cumulative June 1967 -- December 1973".

<sup>39</sup> AUCKLAND STAR, 21 September 1974.



respectively. Fletchers has executed construction contracts for the Indonesian firm of PT Jaya Construction. Turning to the latest figures on tourism, one finds that 1,985 New Zealanders visited Indonesia in 1972, and 384 Indonesians visited New Zealand in 1973 - 74<sup>40</sup>. The New Zealand figures are probably low because many permanent residents of New Zealand still travel on the passports of their country of origin.

## THE RELATIONSHIP IN CONTEXT

The foregoing survey suggests that New Zealand's diplomatic, aid, trade, and investment ties grew faster with Indonesia than with any other Southeast Asian country during the period 1970 - 75. Did this surge of activity indicate that Indonesia was becoming the new centre-piece of New Zealand's Southeast Asia policy? The evidence that might be assembled to support this conclusion includes the high frequency of official visits, the augmentation of the Embassy in Jakarta, the mooted of a new regional organisation to include New Zealand, Indonesia, Papua New Guinea, and Australia, the rapid increase in official aid, the special trade credit, the beginnings of regular (if still informal) military liaison possibly leading to joint exercises for the first time, and a military aid project. Private sector ties indicating a similar trend include the rapidly climbing level of exports and the entry of New Zealand firms into Indonesia as aid project executors, contractors, and investors. While multiplying ties with Indonesia, New Zealand has withdrawn her troops from South Vietnam and Malaysia and disassociated herself from the military aspects of the SEATO arrangement.

But when each of the above bits of evidence is put into the context of New Zealand's relations with other Southeast Asian countries, a less dramatic interpretation emerges. If official visits have been frequent between New Zealand and Indonesia, so have they been between New Zealand and other states in the region. For example, Mr. Kirk's 1973 trip to

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<sup>40</sup> Directorate General of Tourism, *INDONESIAN TOURISM MANUAL*, 1974; p. VIII-9; and N.Z. Department of Statistics letter dated 4 April 1975.

Indonesia was combined with stops in Papua New Guinea, Singapore, Malaysia, India, and Bangladesh, (and President Soeharto's 1972 New Zealand visit was combined with visits to Australia and the Philippines). The Embassy in Jakarta, after augmentation in 1975, has only seven posts for New Zealand personnel (that is, not counting locally engaged staff), making it smaller than the High Commissions in Singapore (with 10 New Zealand staff) and Kuala Lumpur (with 12) and the Embassy in Bangkok (with 12)<sup>41</sup>. The mooted new regional organization is conceived as a bridge between the South Pacific and Southeast Asia but not as a replacement of either ASEAN or bilateral relations with each Southeast Asian country. Official aid to Indonesia has increased relative to aid to her neighbours, it is true, but its magnitude after the increase is still not proportionate to Indonesia's population and need<sup>42</sup>. Defence and military liaison is improving rapidly from a very small base, but joint exercises may be limited to air and naval communications drill for the next few years. In most respects defence ties with Indonesia remain far more rudimentary, tentative, and fragile than with other countries in the region.

New Zealand's exports to Indonesia, estimated at over \$ 7 million in 1974, still fall short of exports to Singapore, Malaysia, Thailand, and the Philippines, and have not grown as fast as those to Peru, Chile, or China<sup>43</sup>. Likewise the value of private joint-venture investments and contract services by New Zealand firms in Indonesia is still modest compared with those in Malaysia, Singapore, and the Philippines. Indonesia is relatively neglected by private charities too; VSA last year sent eight volunteers each to Malaysia and Thailand and only one to

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<sup>41</sup> Source: Ministry of Foreign Affairs letter dated 25 March 1975. If locally engaged staff are counted, the figures are Jakarta 33, Singapore 32, Bangkok 30, and Kuala Lumpur 29.

<sup>42</sup> During the next three years, as projected by the Forward Aid Programme. Indonesia will be allocated about three times as much aid as Malaysia, the next highest recipient in Southeast Asia. Indonesia's population is roughly ten times that of Malaysia's.

<sup>43</sup> Figures available for 1973 show Indonesia fifth among New Zealand's Southeast Asia markets, behind the Philippines, Singapore, Malaysia, and Thailand. That year Peru bought four times, and Chile five times, as much from New Zealand as Indonesia did. REPORT OF THE DEPARTMENT OF TRADE AND INDUSTRY 31 MARCH 1974.



Indonesia; World Vision's remittances to South Vietnam until the change of government were twice those to Indonesia; CORSO and Catholic Relief Services, too, have focussed on Indochina more than Indonesia. Of all the points raised above, then, the official trade credit turns out to be the only unique feature of New Zealand's Indonesia policy.

This leads to the interpretation that Indonesia, far from becoming a centre-piece, is merely catching up with her South-east Asian neighbours in respect of her ties with New Zealand. New Zealand's Indonesia ties of almost every sort lagged during the Sukarno period, with the possible exceptions of formal diplomatic relations and Colombo Plan students; they are now being strengthened so that Indonesia assumes an importance in New Zealand's diplomatic, defence, aid, and private sector relations more consonant with those of her neighbours.

#### THE FUTURE: THE NEW ZEALAND VIEW

Looking to the future, does Indonesia, because of her size, location, potential wealth (especially in oil), and likely political leadership of the region merit greater attention from New Zealand's policy makers than is now being accorded her? This query must be assessed in light of considerations which are likely to limit further intensification of the bilateral relationship. Looking at the question from New Zealand's point of view, it is doubtful that the Government wishes to depart from the balanced relationship it has finally achieved with the nations of Southeast Asia. New Zealand's most recent diplomatic efforts have been devoted to opening a mission in Manila and establishing regular links with Rangoon, thus further spreading and balancing New Zealand's presence rather than concentrating it. Regarding closer military liaison, New Zealand is constrained by the small size of her armed forces and by her officers' unfamiliarity with the language, doctrine, and equipment of the Indonesian forces. As well, the sensitivities of her allies in Southeast Asia, primarily Singapore and Malaysia and the Philippines, must be considered, for any display of favouritism towards Indonesia will have destabilizing effects. And New Zealand will find it prudent to follow Australia's lead in the military/defence sphere in any case.

New Zealand's official aid to Indonesia is scheduled to double from 1974 to 1977. The search for aid projects that are within New Zealand's financial, technical, and administrative capacity, desired by the Indonesian government, contribute to socio-economic development or transfer of skills, and assist the rural poor has become an increasingly difficult one. Fears have been expressed that the quality of the aid programme will suffer if the increase in dollar volume is not slowed. Aid absorption is limited not only by the ability and willingness of the host government to provide counterpart funds, services, and trainees, but also by the capacity of the donor country to administer funded projects in an efficient, effective, and accountable manner. There are some indications that New Zealand's aid capacity in Indonesia, and in other countries, is being strained to the limit<sup>44</sup>. If so, one may expect pressures to grow for even greater involvement by the private sector, which already executes the majority of New Zealand projects in Indonesia, or for a shift of aid allocations towards the South Pacific, where the environment is more hospitable and the visibility of New Zealand's contributions greater. This latter shift would find support among critics of New Zealand's South-east Asia policy, particularly those who object to the Soeharto government's domestic political policies and who would like to curtail economic aid to and military cooperation with Indonesia and other Southeast Asian governments. If New Zealand's decision makers respond to these lines of reasoning, one may expect aid to Indonesia to reach a peak by 1977, then level off; by the end of the decade it could conceivably decline, particularly if Indonesia's oil revenues allow her to finance a greater proportion of her development budget without outside assistance.

Regarding private sector contacts, the rapid climb in exports may level off because of more attractive markets opening

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<sup>44</sup> At the 1967 NZIIA. aid conference "doubts were expressed about whether the External Aid Division was adequately staffed even for the present level of aid. An expanded programme would clearly require an increase in staff especially at the administrative level where good judgement in the selection of projects was essential". NEW ZEALAND'S INTERNATIONAL AID: REPORT OF A CONFERENCE (Wellington, NZIIA, 1967), p. 13. The problem of staffing inadequacies has been exacerbated by the rapid increase in the aid programme in the 1970s; but appears to have eased by late 1974 as a result of staff increases.



up in Latin America and the Middle East, where the business climate is not quite as alien as in Indonesia. Generally, Indonesia has not proved to be the bonanza for exporters, engineering and managerial consultants, construction and manufacturing firms, and investors that enthusiasts such as a former ambassador and a former executive of ENEX predicted a few years ago. Much hard work, careful manoeuvring, and expense are necessary to open a market, land a contract, or set up a joint venture in Indonesia. New Zealand firms face stiff competition from established and experienced American, Japanese, and Australian firms, and many are insufficiently adaptive to sharp practices and outright illegalities to persist. As long as demand holds up in New Zealand, or better opportunities present themselves in other parts of the world, the private sector will tend to neglect Indonesia, with some exceptions. This is true of tourists as well, who still find Jakarta less comfortable than Singapore, Kuala Lumpur, or Bangkok, and who tend to gravitate only to Bali if they go to Indonesia at all.

## THE INDONESIAN VIEW

Looking at future relationships from Indonesia's point of view, one finds that her policy makers are concerned to reaffirm Indonesia as a neutral, independent Third World country. Their recent diplomatic efforts have been directed towards building trade and aid links with the Soviet Union and Eastern Europe, partly for specific economic benefits, partly to reduce Indonesia's seeming dependence on America and Japan. A parallel goal of Indonesia's leaders is gradually to assert Indonesia's political leadership of the region, primarily through her leadership of ASEAN<sup>45</sup>. Relations with New Zealand are already at a high and stable point; efforts to intensify them would not yield much additional return in diplomatic support, military or economic aid, or private trade and investment, compared with comparable efforts in other countries, and would not advance Indonesia's goals mentioned above. Indonesia values

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<sup>45</sup> Michael Lelfer, "Indonesia's Regional Vision", *THE WORLD TODAY*, Vol. 30 (October 1974), pp. 418-425; and Peter Po'omka, *INDONESIA'S FUTURE AND SOUTHEAST ASIA* (London: The International Institute for Strategic Studies; Adelphi Paper No. 104, 1974).

New Zealand's friendship but will cultivate it only in proportion to New Zealand's potential for help and harm, both of which are small.

Regarding military cooperation, Indonesia's "free and independent" policy precludes any formal defence ties. Indonesian military leaders are reluctant to undertake joint exercises with any foreign nation because of a fundamental xenophobia and for fear that their troops may not perform up to standard, thus occasioning a loss of face. Economic and military aid will be welcomed but must be increasingly offered on Indonesian terms as she becomes more wary of attempts by donors to impose conditions on its use, such as New Zealand's attempt to direct aid efforts to the rural poor in contrast to national leaders' greater concern about infrastructural improvement. Increased oil revenues, too, have already made Indonesian authorities more selective about aid projects and more apt to treat foreign aid teams as contractors rather than partners for development.

Foreign investment, too, is coming under critical scrutiny. Wholly owned foreign enterprises, joint ventures with non-*PRIBUMI* (that is, Chinese) partners, and manufacturers of certain kinds of products are already proscribed by presidential decrees of early 1974<sup>46</sup>. Similarly there is an announced policy to decrease dependence on foreign contractors and experts employed by Indonesian firms. Trade patterns as well are being reassessed in Jakarta and Japanese commodities such as tyres and textiles which compete with domestic manufactures are already being denied access. Down-stream processing of Indonesian timber, desired by the technocrats, could lead to restricted entry of New Zealand timber products in the future.

A continuing sore point is the balance of trade, which has been heavily in New Zealand's favour since 1971. Indonesian government action to alter this balance by either restricting entry of New Zealand's exports or requiring New Zealand to admit more imports from Indonesia, is a possibility. Unfortunately the purchase of additional Indonesian oil by

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<sup>46</sup> "Indonesianization and Wider Participation of Indigenous Indonesians in Enterprises", *MONTHLY REVIEW* (Centre for Strategic and International Studies, Jakarta), Vol. 4 (January - February 1974), pp. 4-11.



New Zealand is not the simple solution to the imbalance it appeared to be a year ago; PERTAMINA (the Indonesian state oil corporation) is not prepared to alter established patterns of oil sales for the sake of a few million dollars a year, and the private oil companies that supply New Zealand have their established suppliers. Because Indonesia exports little else that New Zealand wants, or can't get elsewhere more conveniently, the trade imbalance is likely to persist, attracting unfavourable attention from Indonesian trade officials.

## CONCLUSION

The convergence of New Zealand's and Indonesia's interests in a stable, secure Southeast Asian region provides a permanent basis for a cooperative bilateral relationship as long as the two countries interpret their common goal in similar ways. If they do, one can predict the continuation of regular diplomatic and military consultations at the highest levels. Limited military cooperation, following Australia's lead, can be predicted also, as can the eventual formation of a regular political consultative apparatus, perhaps in the form of the four-nation organization discussed by Adam Malik and Norman Kirk in late 1973.

But all these connections will be negotiated deliberately and cautiously, only to the extent necessary to secure the interests of each party, and with due awareness of fundamental differences between the two states. Each set of leaders will be concerned to balance the bilateral relationship with other and more vital relationships at other points of their diplomatic compasses. At bottom it must be clear to New Zealand's leaders that Indonesia is of vital importance only insofar as she relates to Australia and Malay Southeast Asia. Likewise, New Zealand is of concern to Indonesia only as she relates to Australia, and Papua New Guinea. Historical, cultural, and even economic ties apart from the regional political and security contexts remain peripheral.

This implies that a disagreement over a political or security issue could adversely affect economic and other ties. One such issue could be an Indonesian move to annex Portuguese Timor

against that territory's people's expressed wish to become independent. Another issue could be Indonesian reaction against an increasingly Westernized, prosperous Singapore, a reaction that might find support among many Malays. A third might be Indonesia's policy towards an independent Papua New Guinea, particularly if Indonesia perceives a threat from Free Papua Movement secessionists crossing the borders between the two halves of the island. A fourth might be acceleration of Indonesia's manoeuvres to secure political leadership of ASEAN, perhaps to counter a unified Indochina under Hanoi's leadership, to the extent that New Zealand's presence in the region becomes unwelcome. These crises are not necessarily predicted, but only mentioned as possibilities. The point is that if they eventuate, the economic ties between the two countries could not survive a rupture of the political/security consensus underlying them. The probable consequences are illustrated by the disruption of the bilateral relationship during the Confrontation period.

In view of these speculations, New Zealand diplomatic officials and private sector entrepreneurs alike would be wise to diversify their international contacts and to reduce their reliance on any single bilateral relationship to the minimum possible level as a hedge against events beyond their control. If this advice applies to New Zealand's relations with Indonesia, it also applies to Indonesia's relations with New Zealand.



TABLE 1

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 VALUE OF NEW ZEALAND'S TRADE WITH INDONESIA,  
 BY YEAR
 

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Year	Imports from Indonesia NZ\$	Exports to Indonesia NZ\$
1950 (Jan.-Dec.)	6,728,150	3,654
1951 (Jan.-Dec.)	8,054,792	5,814
1952 (Jan.-Dec.)	9,759,520	18
1953 (Jan.-Dec.)	5,482,078	15,560
1954 (Jan.-Dec.)	4,862,010	1,836
1955 (Jan.-Dec.)	9,268,914	280
1956 (Jan.-Dec.)	12,622,912	32,928
1957 (Jan.-Dec.)	11,407,900	2,752
1958 (Jan.-Dec.)	6,188,426	101,880
1959 (Jan.-Dec.)	4,269,576	6,066
1960 (Jan.-Dec.)	5,246,026	16,670
1961 (Jan.-Dec.)	2,122,958	40,866
1962 (Jan.-June)	1,873,048	2,232
1962-63 (July-June)	4,172,916	18,672
1963-64 (July-June)	5,524,768	7,378
1964-65 (July-June)	670,080	5,698
1965-66 (July-June)	2,514,316	138,770
1966-67 (July-June)	1,768,008	20,648
1967-68 (July-June)	658,604	23,642
1968-69 (July-June)	1,057,740	69,387
1969-70 (July-June)	1,595,796	485,556
1970-71 (July-June)	1,130,580	1,190,013
1972 (Jan.-Dec.)	1,474,000	3,501,000
1973 (Jan.-Dec.)	269,000	3,731,000
1974 (Jan.-Dec.)	527,000	7,507,000

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Source: Annual reports of the N.Z. Department of Trade and Industry.

TABLE 2

NEW ZEALAND'S EXPENDITURES FOR BILATERAL AID  
TO INDONESIA, BY YEAR

Year	NZ\$
1962-63	232,800
1963-64	212,342
1964-65	87,678
1965-66	51,600
1966-67	54,614
1967-68	63,351
1968-69	76,332
1969-70	90,880
1970-71	592,932
1971-72	372,380
1972-73	1,120,786
1973-74	1,387,912
1974-75	2,557,000 <sup>a</sup>
1975-76	4,500,000 <sup>b</sup>
1976-77	6,000,000 <sup>b</sup>
1977-78	6,500,000 <sup>b</sup>

Source: Figures supplied by the External Aid Division of the N.Z. Ministry of Foreign Affairs.

a. Allocated.

b. Forward Aid Programme preliminary projections.



TABLE 3

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 NEW ZEALAND'S EXPENDITURES FOR BILATERAL AID  
TO SOUTHEAST ASIAN NATIONS
 

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Nation	Cumulative 1951-71 NZ\$	Year 1973-74 NZ\$
Brunei	7,275	—
Burma	1,239,559	6,925
Indonesia	3,133,563	1,378,912
Khmer Republic	151,175	185,963
Laos	224,972	159,856
Malaysia	7,241,794	873,004
Philippines	677,871	467,448
Singapore	1,252,203	114,386
Thailand	4,038,570	678,405
Vietnam, South	2,403,038	486,181
Vietnam, North	—	—

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Source: Figures supplied by the External Aid Division of the N.Z. Ministry of Foreign Affairs.

TABLE 4

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BILATERAL AID PROJECTS TO INDONESIA IN NEW  
ZEALAND'S FORWARD AID PROGRAMME 1975-78

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*Agriculture*

Artificial insemination programme, Java:

Frozen semen

Equipment, experts, bulls

Extension to frozen semen programme

Abattoir, Medan; design and construction

Dairy development, Java:

milk treatment, processing and marketing

Pasture improvement

Sheep breeding

*Forestry*

Forestry development, Irian Jaya:

Hamadi sawmill (management and training)

*Fisheries*

Cool storage facilities, Padang, Sumatra

Trawlers for training school, Tegal

Extension to cool storage project

*Health*

Rural health assistance, Yogyakarta

Health care delivery system, Garut

Dental health

Rural water resources

Fatmawati hospital



*Education*

English language project, Yogyakarta: experts  
Advanced Welding Training Vocational School, Jakarta  
Earthquake engineering training, and development of  
building codes  
Vocational Trade Training Centres  
Assistance to rural development volunteers

*Power*

Geothermal development programme

*Public Utilities and Works*

Watermains rehabilitation  
Water supply to cities

*Social Infra-Structure and Welfare*

Housing and building sector development

*Transport*

Port and ferry development feasibility studies,  
Nusatenggara/Moluccas  
Hydraulic port survey  
Inland waterways, Sumatra and Kalimantan

*Industry*

Medan Industrial Estate: experts  
Ironsands, Yogyakarta: testing and training  
Non-metallic minerals - assistance to Geological  
Survey, Bandung: experts and equipment  
Refractories study  
Small-scale processing - food technology

TABLE 5

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LIST OF NEW ZEALAND FIRMS DISPLAYING TRADE  
ITEMS AT THE JAKARTA TRADE FAIR, 1973

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Alex Harvey Industries Ltd.  
 Crown Lynn Potteries Ltd.  
 Cunic Industries Ltd.  
 Deer Products Ltd.  
 Donaldson Engineering Ltd.  
 Dot Pattern Co (NZ) Ltd.  
 Electropar Ltd.  
 ENEX of New Zealand Inc  
 E.C. Gough Ltd.  
 C.W.F. Hamilton & Co. Ltd.  
 Hills Hats Ltd.  
 W. Hunt & Sons Ltd.  
 International Brassware Ltd.  
 Label Weavers Ltd.  
 Lees Industries Ltd.  
 Motor Holdings Ltd.  
 New Zealand Aerospace Industries Ltd.  
 New Zealand Apple & Pear Marketing Board  
 New Zealand Dairy Board  
 New Zealand Flooring Products Co. Ltd.  
 P.D.L. Industries Ltd.  
 A. & G. Price Ltd.  
 W.H. Price & Son Ltd.  
 Rex Consolidated Ltd.  
 Southern Cross Engineering Co. Ltd.  
 Transformer Winders Ltd.  
 U.E.B. Industries Ltd.  
 Arthur Yates & Co. Ltd.

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Source: N.Z. Department of Trade and Industry letter dated 30 November 1973.



# THE HISTORICAL DEVELOPMENT OF VILLAGES ON THE ISLAND OF LOMBOK

Hermien Hadiati KOESWADJI

## INTRODUCTION

Any observant visitor to the island of Lombok can hardly fail to notice the striking differences in style and atmosphere between Balinese-type villages on the one hand and indigenous Sasak villages on the other.

Most of the Balinese-type villages are located in the Administrative District of West Lombok, where they are spread along the coast from the area of Ampenan to the northern tip of the island. Along the northern coast one also finds a number of clusters of *kampung* settlements in the Madurese style, however, these are numerically insignificant and heavily influenced by Sasak culture. Most of the people living in the Balinese-type villages are indeed ethnically Balinese. Their villages are constructed according to the typical Balinese format, with adobe or brick walls completely enclosing a complex of houses apparently sited at random and numerous Hindu-Balinese *pura* of varying sizes. For the visitor driving through such villages, the predominant impression is of rural calm and serenity impregnated with an all-pervading religiosity.

This study is not, however, concerned with the Balinese element of Lombok society but is specifically directed towards the much larger, indigenous component, that of the Sasak people.

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\* This article is a translation of "Sejarah Pembentukan Desa di Lombok" published in MAJALAH HUKUM NASIONAL, No. 24, Vol. VII, 1974.

The Sasak villages are found everywhere outside of the Balinese cultural enclave described above. Apart from the Balinese enclave, the population of Lombok consists almost entirely of the Sasak ethnic group, with only a marginal admixture of Balinese and Javanese exerting a negligible influence upon the indigenous social structure and architectural style.

Sasak houses are built on the ground, rather than on stilts, and are invariably set upon carefully constructed stone or clay foundations. Small and windowless, the houses are generally thatch-roofed, with walls built partly of clay or stone and partly of bamboo mat. The houses are invariably clustered in such a way as to clearly constitute a unit. Although village or *kampung* boundaries are usually neatly demarcated with bamboo fences or hedges, the impression one gains when approaching such a complex is of openness and naturalness, without the atmosphere of intense religiosity characteristic of Balinese villages. Upon entering the village complex, one is confronted with orderly rows of houses separated by broad and clean pathways. Facing each line of houses across the pathways are thatch-roofed, open-structured buildings containing bamboo divans (*bale-bale*) set upon a raised floor. Such buildings are communal meeting places and are called *beruga*.

There are generally very few trees within Sasak villages, so that there is consequently little shade or greenery. Walking along the pathways between the rows of houses, the effect of bright light, dryness, and intense heat is very strong. At least in those villages we observed, the impression of dryness in the villages was enhanced by the fact that they rarely contained any source of water, whether in the form of wells, tanks or streams. The village water sources appear always to be situated outside the village boundaries.

The Sasak are an Islamic people, so that, rather than the elaborate *pura* that are so omnipresent in the Balinese area of Lombok, in Sasak villages one finds small thatch-roofed mosques, not much bigger than the surrounding houses and constructed primarily of bamboo. In many respects, the Sasak



mosques are reminiscent of early Javanese mosques. The presence of these mosques, and of people wearing *kain batik*, jackets, and white headbands, add a touch of religiosity to the atmosphere of the Sasak villages.

## THE HISTORICAL DEVELOPMENT OF VILLAGES

In the absence of any documentary evidence relating to the early development of some of the oldest Lombok villages, we have had to rely upon popular folklore and contemporary observation in the compilation of this survey.

In general, it appears that the original establishment of a typical old Lombok village took place in one or more of the following three ways: firstly, an aristocrat and his retinue of followers set up the village as a defence outpost; secondly, the original settlement was established by decree of a local *raja*; thirdly, an existing village was divided into two or more villages because of increased population.

The operation of such factors is apparent in the history of the village of Bayan, the major sample studied in the course of the *adat* law research project that produced the data contained in this present essay. According to the popular version of the history of Bayan, the village was one of those initially founded as a defence position by a force of soldiers and their families under the leadership of a group of aristocrats.

The story goes more or less as follows:

"In the area of the village now called Bayan, an aristocrat from the court of Majapahit and his personal guards set up camp long ago. The aristocrat and his retinue originally came from Java and landed in Lombok on the east coast, from where they made their way inland despite considerable dangers to found a settlement. The name Bayan is believed to be derived from the Javanese word *bebaya* (*dangerous*). Under the leadership of the aristocrats, the soldiers and their families established a community based largely on farming. At various points in the vicinity of the new settlement, defence outposts were established to provide warning of attack and to protect the harvest. Over time, such outposts, each under the command of an aristocrat, developed into small hamlets in their own right,

As the community became established and the dangers of attack reduced, members of the new village began to venture increasing distances to open up new farm land. New land demanded much work and supervision, so that farmers tended to set up homes of an increasingly permanent nature close to their plots and outside the initial defence periphery of the village. When a sufficient number of such outlying farm houses, known as *gubug*, were gathered in one area, a "council of elders" (*dewan tua-tua gubug*, or *krama gubug*) was usually established. Once such a group of *gubug* achieved a certain size, it came to be regarded as a *dasan* (hamlet) within the *desa* (village). The leader of a *dasan* was selected by the people of the *dasan*, primarily on the basis of his knowledge of traditional law (*adat*), and was called *kliang*. The *kliang* provided the administrative link with the authorities of the *desa*".

Accounts such as that above, gathered in both Bayan and another *desa*, Anyar, reinforced our opinion that Bayan is one of the oldest, perhaps even the earliest, Sasak villages on Lombok. The Sasak aristocracy, with Bayan as its base, gradually extended their territorial control over increasingly greater areas. This opinion was further strengthened by the story of the establishment of the *desa* of Sembalun, situated in the north of the second level administrative district of Central Lombok (*Lombok Tengah*).

According to the story, the first settlement in the area of present-day Sembalun was a minor defence outpost, manned by a few soldiers under the command of an aristocrat. The original outpost was in the vicinity of an area known as Belik, which today is one of the *dasan* within the *desa* of Sembalun Lawang. The aristocrat who established the outpost died soon afterwards without leaving an heir. Although the name of this founder of Sembalun is not recorded, his gravesite still remains and is a place of worship for the local people.

Following the death of its leader, leadership of the outpost was assumed by one of the soldiers, a man called Titik Lawang. Titik Lawang and his family settled in the area, maintained the gravesite of the dead leader, and established a small community, from which developed the contemporary *desa* of



Semabalun. The name Semabalun is, according to the beliefs of the local people, derived from the words *sembahan ulun*. As the population of Semabalun increased, the village developed into two *desa* units, known as Semabalun Lawang and Semabalun Bumbung respectively.

A particularly interesting characteristic of Semabalun society is the complete absence of an aristocratic strata in the feudal gradations of social position and status. The presence of an aristocracy is a prominent feature of all the other *desa* of the Bayan area. One of the main reasons for this unusual egalitarianism appears to be the fact that the people of Semabalun are, or at least believe themselves to be, descendants of Titik Lawang, who was a commoner.

Examples of *desa* established as a result of administrative decision are also found in various places on Lombok. Frequently the site for the new *desa* was selected because it seemed to be appropriate land for the resettlement of persons from established areas that were assessed by the authorities as over populated. Examples of *desa* so-founded include Loloan, in the vicinity of Bayan, and Songak, in East Lombok. In such villages, the probability of the inhabitants being of common descent is relatively low.

*Desa* formed on the basis of what were originally *gubug* are also numerous. Prominent examples include Semabalun Bumbung (described above) and a number of villages in the area north of Solong. Characteristic of such *desa* is the absence of an upper caste, the population consisting entirely of people from the *amak* caste, i.e. the lowest level in the Sasak feudal hierarchy. Caste-less Sasak villages of this type are also found in the Karangasem area of Bali.

Thus Sasak *desa* in Lombok typically include a number of *dasan*, each with its own distinct name and often its own *kliang*. The inhabitants of *dasan*, with the exception of *dasan* formed by people brought in from the outside (such as in resettlement projects), are generally related and believe themselves to be of common ancestry. *Kliang* are usually members of the common kinship group who are selected for their authority and the respects they enjoy among the families of the *dasan*.

## TERRITORIAL LIMITS OF DESA

The limits or boundaries of *desa* in Lombok are clearly recognized and understood by the inhabitants and local officials. Inquiries about *desa* boundaries are inevitably answered with a wealth of detail about the natural and man-made markers — such as creek beds, tree stumps, hills, posts, water-lines, forests and volcano craters — that demarcate the *desa* territory.

The Sasak perceive *desa* boundaries in terms of animistic or magical significance, and believe that the territory of each *desa* is determined and watched over by the supernatural. Within each *desa* there are specific sites or objects that are regarded as media between the *desa* and the supernatural. Every event and occurrence within the *desa* is believed to be of supernatural significance, and the highest priority is allocated to the continual effort to ensure harmony between the *desa* and the spirit world.

Within the *desa* boundaries, highest authority is vested in the *kepala desa* (village headman), who is responsible for the administration of the *desa*. The Sasak term for the territory within which the *kepala desa* has authority is *entah tetegeman*.

The rules governing the degree of access to *desa* land granted to outsiders vary from one *desa* to another. In Sembalun, for example, only members of the *desa* may own land. In Loloan, however, outsiders may be granted the right to own land, while in Bayan there do not appear to be any fixed rules in this regard.

## UNITS WITHIN THE DESA

Each *desa* consists of component units. Immediately below the *desa* level are the *dasan* (hamlet), often headed by a *kliang* (hamlet chief). The number of *dasan* in a *desa*, as also with the number of lower-level units, is not fixed, but rather depends upon local conditions such as population and geographic position. *Dasan* are usually clearly demarcated by bamboo fences or hedges.



*Dasan*, in turn, consist of smaller units, the largest of which are the *gubug*. *Gubug*, too, are marked off by bamboo fences. Within the *gubug* are groups of family houses known as *soteran*, comprising neat rows of houses, each row normally belonging to the members of an extended family. *Soteran* boundaries are also marked by bamboo fences. One discernable pattern in the lay-out of houses within *soteran* is that resulting from the tradition that younger members of families may not build their houses to the south of the houses of their elders, thus houses are arranged according to the ages of their owners, with the eldest on the south and the youngest on the north. Each row of houses within the *soteran* are called *Bantar*.

As a general rule, the further one proceeds down the *desa* structure, from *dasan* to *soteran*, the closer become the family relationship among the residents.

## DESA MEMBERSHIP

The social unit of the *desa*, consisting of all persons who actually live in the *desa*, is referred to as the *kanoman*. The *kanoman desa* is sub-divided into *kanoman kliang*, of which two broad types are discernable:

- a. those in which the members of the *kanoman* are related by kinship to the *kliang*. The great majority of *kanoman kliang* are of this type;
- b. those in which there are no kinship ties between the *kliang* and the members of the *kanoman*. This type is found mainly in new areas, or among newcomers to a *desa*.

How can an outsider become a member of a *kanoman desa*? The membership system is open, in the sense that kinship ties are not essential. Applications for entry are assessed by a *desa* council, or *krama-desa*, which consider the character and background of the applicant and advises the *kepala desa*. (It is not clear to us whether the decision of the *krama-desa* is binding upon the *kepala desa* or not).

New members of a *kanoman* are treated with a measure of reserve and suspicion during their initial period of membership, and are really only fully accepted without distinction when they have completely discarded all their "foreign" traits and have assimilated themselves with their fellow *kanoman* members.

Membership in a *kanoman klian* is, for a new member of the *kanoman desa*, a matter of personal choice. Thus the new member is free to select the *klian* whom he regards as most likely and able to protect his interests and, providing the *klian* agrees, to join the *kanoman* of that *klian*. It is not necessary for a new member to actually live within the *kanoman klian* boundaries, or even within the boundaries of the *dasan* where the *klian* resides — indeed, in several places that we visited, including Bayan, Sembalun, and Pujut, it was quite common to find members of *kanoman klian* living considerable distances from the original *kanoman klian* base. In Pujut, for example, we heard of a man who lived 10 kilometers from his *kanoman* complex, and within the *dasan* of a different *klian*. Irrespective of place of residence, as long as the member of a *kanoman klian* remains within the *desa*, he is assured of the protection and assistance of the other members of his *kanoman*.

Children born within the *desa* almost invariably remain within the *kanoman klian* of their parents for life. On the basis of our studies in Sasak villages, it is extremely unusual for an individual to leave the *kanoman klian* of his parents. However, the principles traditionally governing *kanoman klian* membership are fading in several places under the pressures of population growth and administrative pragmatism. In Sembalun and, to a lesser extent, in Pujut and Loloan, we were informed that *kanoman klian* system was undergoing a process of rationalisation, with the aim of bringing membership into correspondence with place of residence. As this process continues it may be necessary to move people among *kliangs* according to where they live. In Loloan and Pujut, the introduction of this territorial principle to the *kanoman klian* system has been necessitated by the increasing number of newcomers to the *desa*.



In practice, *kepala desa* are little involved in the internal affairs of the *kanoman klian*, and, for most purposes, the *klian* are the determining authorities in the *desa* and the *kanoman klian* are the key operative social units.

## SOCIAL STRUCTURE OF LOMBOK DESA

With the exception of areas such as Sembalun which, as noted above, are relatively egalitarian, Sasak village society is divided horizontally into a number of status groups. The actual number of groups, and the titles used to denote the status position of individuals and groups, vary among areas and *desa*.

An idea of the patterns of status groups may be obtained by considering two variants, the first being that found in the Bayan district, and the other drawn from the plains of the Ampenan-Praya-Selong area.

*Desa* society in Bayan is divided into three levels (*wangsa*):

1. the highest level is that of *perwangsa raden*;
2. the middle level is known as *triwangsa*, the members of which enjoy the title *lahu*;
3. the bottom level is referred to as *jajar karang*, the members of which are called *buling*. A further distinction is made within the *jajar karang* group between men (called *luk*) and women (called *le*).

In fact, quite a few Bayan *desa*, including Bayan and Anyar, no longer include the *triwangsa* level, but consist only of *raden* and *jajar karang*.

In the Ampenan-Praya-Selong district, the structure is somewhat more complex, in that there are four levels:

1. the *preraden* level, using the titles of *raden*, or *lahu*;
2. a level the Sasak name for which we do not yet know, but the members of which are referred to as *mamik*;
3. again, we do not yet know the generic term for this group, but the members are called *bapa*;
4. generic term also not yet known to us, but members refer to themselves collectively as *amak*.

(In Praya, groups (1) and (2) above are referred to simply as the *menak* group).

Women in groups (1) and (2) are referred to respectively as *denda* and *baik*. Within each of the first three groups, there are different titles for married and unmarried persons. An unmarried male in group (1) for example, is called *raden*; after marriage, he is referred to as *raden une*.

A range of titles are used to further differentiate among members of the first two groups in term of the "purity" of their aristocratic descent, an aspect touched upon below in our discussion of marriage.

In general, no special privileges, rights, or obligations appear to be associated with membership in one or another of these social groups. In daily life, people from the higher groups do not appear to be treated with any particular deference or respect by members of groups lower on the scale. Even the protocular procedures adopted for official ceremonial occasions do not appear to reflect the social group structure. In fact, in most areas, status and respect seem to be directly associated only to official position and wealth. The respect and deference accorded to a *kliang*, for example, does not seem to depend at upon his relative position in the social group structure — *kliang* receive the same deferential treatment from villagers of all levels. Only in certain areas of the central Lombok plateau does one notice persons from the top levels being treated with particular respect and deference by those from lower groups, and in those areas most official positions are filled by persons from high on the status scale.

According to our informants in Bayan, the authorities in that area during the colonial period reinforced the feudal social structure by allocating government-determined positions according to social position. Thus only those with the title *raden* were qualified for appointment as *lang-lang*, or local supervising officials responsible for the security and order of the *desa*. These positions were allocated to *raden* in order to free the *raden* from various onerous obligations imposed by the colonial authorities, such as *rodi*, or forced labour on public works projects.



It is not yet clear to us just what are the functions of the feudal aristocratic gradations in Sasak *desa* society. On the basis of our research, the only clear and obvious function is that of self-perpetuation of the system itself.

In terms of the relative vitality of the feudal-aristocratic status system, we discern three distinct areas in Lombok. In the Sembalun area, the system is virtually non-existent, for the historical reasons discussed earlier in this essay. In the Bayan area, the system continues to exist but is neither strictly maintained nor particularly meaningful to many people. Only in the third area, that of Praya, Selong and Sakura (Suwangi), does the system appear to be strongly entrenched. In this latter area, the distribution of status and privilege are very closely determined by the feudal-aristocratic structure. Interpersonal relations are conducted in accordance with intricate protocol, and there is marked less ease in interactions between aristocrats (*bangsawan*) and ordinary people.

However, it would appear that even in the Praya-Selong-Sakura area, the feudal-aristocratic system is gradually dying. One reason for this is the practice of determining the aristocratic status of a child in accordance with that of both the parents. The children from a marriage between an aristocrat and a person from lower on the social scale, for example, are not entitled to titles at the same level as that of their more aristocratic parent. Thus, via a series of marriages, a family may descend the feudal-aristocratic scale and ultimately join the *jajar karang*.

#### A TENTATIVE CONCLUSION CONCERNING LOMBOK DESA SOCIETY

It appears to us that a shift is occurring in some of the unifying principles of the *desa* as a social unit. The *kanoman kliang* began as an unambiguously genea-logically-determined unit, an extended family. As the *desa* population has expanded, as the number of outsiders has increased, and as the society

has been penetrated by numerous external influences, it has become increasingly difficult to maintain the *kanoman klian* in its original form. In response to the pressures generated by such changes in *desa* society, the *kanoman klian* is tending to become increasingly territorially-determined, and to gradually lose its original familiar character.

This process of reorientation of the *kanoman klian* is not taking place without resistance. For example, we were told by an assistant district chief in the Bayan area for a case where a *klian* was unable to exert sufficient authority over his *kanoman* and had to resign. The *kanoman* concerned was situated in a fishing village on the north coast in an area where there are a significant number of Buginese settlers. Buginese influence is strong in the area, and manifests itself in such aspects as building style and *kampung* layout. The *klian* in question was himself a Buginese, and the main reason for his apparent inability to obtain sufficient cooperation from the members of the *kanoman* appears to have been that he did not adequately conform to the cultural and organizational norms of the Sasak majority in the *kanoman*.

The trend towards primarily territorially-determined *kanoman* is, of course, proceeding at differing rates in different places. Although most *kanoman klian* still contain a high proportion of family-connected members, family links as such are often no longer the sole criterion governing *kanoman* membership. As has been mentioned above, perceived self-interest is often the determining factor in the choice among *kanoman* for new arrivals in the *desa*. And in places such as Loloan and Sembalun Bumbung, residence is the primary determinant of *kanoman klian* membership.

On the basis of our studies it may be said that the *kanoman* as a social unit is now based on principles of both kinship and territoriality. We are aware that this opinion differs from those of other writers, however, it is supported by our observation of contemporary social realities, such as the nature of interpersonal relationships in the *desa*, the selection of *klian*, and the selection of *kepala desa*.



## DESA ADMINISTRATION

"Administration" is used here in its widest sense, to include not only the business of local government officials but also religious and *adat* affairs.

Responsibility for administration in Lombok villages is in the hands of three distinct groups. Administration in the narrower sense of local government is handled by the *Kepala desa* and his staff. The interpretation and administration of *adat* law is the responsibility of the *krama desa*, while religious affairs are in the hands of the *kyahi* and their assistants. Each of these administrative groups, in the day-to-day handling of *desa* affairs, is autonomous of the other ('nebengeordnet'), however, in affairs involving the *desa* with external bodies such as other *desa* or local and central government authorities, the *kepala desa* represents the *desa* as a whole. Each of the three groups will be briefly described below.

The *kepala desa* is the highest authority in the *desa*. In effect he performs a double function, serving simultaneously as the spokesman for the interests of the *desa* in dealings with the outside world and as the representative within the *desa* of the central government. The position of *kepala desa* is thus complex and demanding, and the degree to which an incumbent *kepala desa* succeeds in satisfying both his constituencies — i.e. the people of his *desa* and his government superiors — depends very much on his leadership capabilities. *Kepala desa* in Lombok frequently appear to operate in an autocratic fashion, a characteristic which is not surprising given the responsibilities with which they are burdened. *Kepala desa* are always on duty, in the sense that there are no fixed office hours inherent in the position, and the *kepala desa* must be available whenever *desa* circumstances require his supervision and authority. Not all *desa* in Lombok are equipped with an office for the *kepala desa*, and we noticed that, not infrequently, the house of the incumbent doubled as his office.

In general, the *kepala desa* functions as a communicator, passing on instructions from his superiors and supervising their implementation, and informing his superiors of the attitudes and desires of the people in his *desa*. The latter role,

that of spokesman for *desa* interests, may be performed at any time the *kepala desa* feels it necessary, but regular opportunities are provided in the course of his official interaction with district and regional officials.

The *kepala desa* is assisted in his administrative duties by a clerk, the *juritulis desa*, who is responsible for the maintenance of *desa* records and for general secretarial work.

By far the most important assistant to the *kepala desa*, and that with the broadest function, is the *kliang*. The *kliang* are responsible for the implementation within the *desa* of the instructions passed on by the *kepala desa* from the government. They are also responsible for the security of their sectors of the *desa*, thereby functioning as both policemen and arbitrators in disagreements within or among families. Above all, the *kliang* is a father-figure, a *bapak* to the members of his *kanoman*, who is expected to energetically represent their interests and to preside over their affairs. The *kliang* is involved in virtually all the activities of his *kanoman*, from *adat* ceremonies on the occasion of weddings, births, deaths, etc., to approving the design of proposed buildings and arbitrating in all manner of situations. The obligations of the *kliang* are particularly heavy in connection with marriage, divorce, and extra-marital relations among the sexes. In the event of an elopement, for example, the *kliang* is expected to act on behalf of the family of the girl involved, and to seek to ensure that the affair ends honourably in marriage. In short, there is virtually no aspect of *kanoman* life that does not place some obligation upon the *kliang*, and, in our observation, the *kliang* is without doubt the single most important official in Lombok villages.

The official traditionally responsible for assisting the *kepala desa* in all affairs relating to village security is known as *lang-lang*. The *lang-lang* are responsible directly to their respective *kliang*, and are therefore *kanoman*-based. In some areas, such as Sembalun, for example, the security-maintenance functions of *lang-lang* have been taken over by a new local police body, the OPR, leaving the *lang-lang* responsible for supervision of *desa* cooperative work projects and the like. In Bayan, however, the *lang-lang* continues to fulfill his traditional police functions.



Another *desa* official who plays an important role in safeguarding *desa* welfare is the *bupati*, who is responsible for irrigation. In those areas of Lombok where there are irrigation systems, there are organizations called *subak*. Membership of the *subak* consists of all the irrigated rice field owners in the area of the *subak* concerned. The *subak* are quite autonomous of the *kepala desa*, and their affairs are entirely the responsibility of the *subak* organizers themselves, yet the *subak* is obviously of considerable importance for the *desa* as a whole. *Subak* are intricately organized, with a hierarchy of officials based upon the area of irrigated land for which each is responsible. The senior *subak* official is the *bupati*, who has underneath him a member of middle-level officials (*sedahan-angung*) and lower-level officials (*pembekal-pekasih*).

The body of officials responsible for maintenance, interpretation and implementation of *adat* law is variously referred to as either the *krama desa* or *krama gubug*. In all affairs relating to *adat*, the rulings of the *krama desa* are binding. The *krama desa* is not obliged to seek the prior approval of the *kepala desa* for its decisions, but merely to keep him informed. The decisions of the *krama desa* are conveyed to the people by the *kliang* or the assistants of the *kliang* (known as *juru warah*), and we have not heard of a single instance of people rejecting or refusing to abide by *krama desa* decisions. Members of the *krama desa* are selected from among the *desa* elders on the basis of their mastery of *adat* and their authority among the villagers. It is therefore common to find that the chairman of the *krama desa* is in fact the *kepala desa*, while the members include the *kyahi* and other village officials. However, there is no binding convention to the effect that the *kepala desa* always be chairman of the *krama desa*, and there are *krama desa* headed by persons other than the *kepala desa*.

The *krama desa* convener for meetings (*begundem*) is the *becingah*, or village meeting house. Alternatively, *begundem* may be held in the *becingah* of a particular *kanoman*, as is often the case in Bayan. *Krama desa* decisions are arrived at by means of discussion and consensus, and not by vote.

The other group responsible for village administration and structurally parallel to the *kepala desa* consists of the religious officials — the *kyahi* or *penghulu*. The *kyahi* or *penghulu* are

regarded as holy (*suci*) persons, a reputation which they must maintain by their daily behaviour by meticulously carrying out religious and *adat* obligations. For example, a *kyahi* or *penghulu* may not allow other persons to perform duties related to their own personal hygiene, such as washing clothes. *Kyahi* and *penghulu* must always be prepared to render assistance to those in need, and are expected to provide an example of good behaviour in all respects.

The *kyahi* or *penghulu* preside, either directly or through their assistants, over all ceremonies, such as funerals, weddings, circumcisions, etc., which require the reading of prayers or the performance of acts of religious significance. In many of their tasks, the *kyahi* and *penghulu* are represented or assisted by persons known as *mangku* or *pemangku*. The *mangku* are also expected to live exemplary lives, although they enjoy a measure of freedom in comparison with the *kyahi* or *penghulu* by virtue of their apprentice-like status. *Mangku* are functionally differentiated, so that each *mangku* has a speciality. For example, there are *mangku* whose function is to preside over funerals (called *mangku kubur*), others who determine auspicious times for particular events, such as planting and harvesting, (known as *mangkuinani*), and *mangku* who specialize in the ceremonial preparation and presentation of *saji-sajian*, or symbolic gifts to the gods.

The specialist *mangku* described above are among those we observed in Bayan. However, the number and range of functions of *mangku* vary among *desa*, and those found in one area may not exist in others. In Sengkol, for example, we noted *mangku* responsible for calling down rain, and others who were believed to be particularly efficacious in communicating with specific spirits and divinities.

As described above, *desa* administration is, in its broadest sense, conducted by three parallel but mutually autonomous bodies: the *kepala desa* and his staff; the *krama desa*; and the *kyahi* or *penghulu*, and their assistants. This division of tasks, however, is purely an internal *desa* phenomenon, and all dealings between the *desa* and the outside world are the responsibility of the *kepala desa*. In their day to day operations, there is, of course, a high degree of cooperation and mutual



interdependence among these three structures, facilitated to some extent by the frequent overlap in personnel among them. The relationship among these three groups of officials is, in practice, inextricable, in that the exercise of authority by any one of them normally obtains the tacit or explicit support of the other two.

## SELECTION, APPOINTMENT, AND DISMISSAL OF DESA OFFICIALS

The criteria and methods of appointment and dismissal of the authorities within these three groups are not the same.

Let us first consider the qualifying criteria for *kepala desa*. Basic criteria obviously include age (in Sembalun, for example, a candidate for the position of *kepala* must be at least 25 years of age), an acceptable public record, a minimum degree of literacy, and experience in administration of village affairs. Furthermore, candidates for *kepala desa* must be descendants of *kepala desa*, a criterion that persists despite sustained attempts to do away with it. In recent *kepala desa* elections, most of those selected were descendants of previous *kepala desa*. Finally, our respondents were virtually unanimous in their insistence that candidates for the position of *kepala desa* are almost invariably drawn from among the *kliang* of the *desa* concerned.

In colonial times, *kepala desa* were appointed by the district officials from among the children of previous *kepala desa*. Nowadays, although the district authorities may, in unusual circumstances, appoint someone to be *kepala desa* on an interim basis, the position is normally filled by a candidate elected within the *desa*. All adults, both male and female, are qualified to participate in the election of *kepala desa*. Election procedures vary among villages — in Bayan, the villagers whisper their choice of candidate to the district election official, who notes in the election record, in Sembalun, each candidate is identified by a symbol, and the villagers place their ballot papers into a box. In order to qualify for candidacy it is necessary to demonstrate some minimum support within the *desa* — in Sembalun, for example, the minimum was set at twenty five persons. An election for *kepala desa* has only been

held in Bayan once, and we noticed that the results of elections in Bayan Sembalun both resulted in the appointment of a son of either the retiring *kepala desa* or the son of one of his predecessors in the office. It would thus appear that, despite the new formality of election, the old methods of selection of *kepala* continue to prevail.

Removal from office of an incumbent *kepala desa* is normally due to natural causes, such as advanced age, ill-health, or death. Dishonourable dismissal from office may occur in the event that a *kepala desa* commits an act that is regarded as unforgiveable by *desa* society. The procedure in such a situation is for the people of the *desa* to submit a report on the misbehaviour of their *kepala desa* to the district-level authorities. Enquiry into the veracity of the report, and the decision as to the fate of the *kepala desa* in question, is the responsibility of the district authorities. The district authorities present their assessment of the case, and their proposed solution, to a meeting of the *desa*. As noted above, the district authorities may, if necessary, appoint someone to act as *kepala desa* until such time as the *desa* agrees upon a replacement.

What is the procedure with respect to the appointment of a person to the position of *kliang*? From the information we obtained in Bayan and Sembalun, it appears that the office of *kliang* is hereditary but with election, in other words, the position is always filled by a son or close relative of the previous *kliang*. Election of a new *kliang* is carried out by all adult villagers, after which the successful candidate is installed in office by the *kepala desa*. *Juruwarah* and *lung-lang* are selected by the *kliang*, subject to approval by the *kepala desa*.

As explained earlier, the members of the *krama desa* or *krama gubug* are selected from among prominent and influential village elders. The *kepala desa*, the *kliang*, the *kyahi* or *penghulu*, the *mangku*, and other *desa* officials are normally members of the *krama desa*. We do not yet know whether members of the *krama desa* are appointed by any one official or group of officials in particular. In Sembalun, we were informed that members of *krama desa* were appointed in their office by the



head of the 2nd level regional administration on the recommendation of the *kepala desa*. We have not yet obtained information as to whether there are provisions for the dismissal of members of *krama desa* on grounds other than age, ill-health or death.

The various religious offices — *kyahi*, *penghulu*, *mangku*, etc., — are unequivocally hereditary in nature. Upon the death of a religious official, one of his children is appointed to replace him. The choice among the children of a deceased religious official depends upon the relative expertise of the children in the requisite skills learned from the father. In Sengkol I, there is a *mangku buatan*, that is, a *mangku* whose father was not a *mangku* or other religious official. The individual concerned was chosen by the people of the *desa* because none more qualified was available. Normally religious officials remain in office for the duration of their active lives, and we have no information as to whether or not such an official can be removed against his will.

Most officials of the *desa* receive some form of salary or emolument, although there are some who work on a voluntary, unpaid basis. The *kepala desa* receives the highest payment among the officials. We heard of some *desa* in which officials are allocated land according to their position. Such land is known as *tanah pecatu*. It is not clear what amount of land is involved. *Mangku* are among those officials who are not renumerationed, but who live from their own resources, usually as farmers; they are, however, exempt from compulsory work (*kerja rodi*).

## DESA CONTROL OVER PROPERTY

Nowhere on Lombok did we discover any example of *desa* property as such, rather we found ubiquitous examples of *desa* control over property. Property controlled by the *desa* as a whole cannot, except under unusual circumstances, be placed under the control of an individual not occupying an official position. *Tanah pecatu*, for example, may only be used by an

official during his tenure in office, and the utilization of such land is subject to approval by the *krama desa*. The type of property normal under *desa* control includes such places and facilities as sacred sites, children's playgrounds, public bathing and washing places, wells and other water sources, mosques and *pesantren*, and sports fields.

## CONCLUSION

From what has been said above, we may conclude that the Sasak social system is *bilateral*, in the sense that anyone with Sasak blood is accepted in Sasak society irrespective of which parent is of Sasak descent. The relative closeness of blood ties is only of significance for the determination of daily terms of address.

As a society organized on bilateral, as distinct from patriarchal or matriarchal principles, the Sasak are not organized into tribes or tribal structures. Rather, the society is organized in male and female groups, each of which are of great legal significance. Within each sex group, life is lived on a communal basis. Social responsibilities, such as procreation and the education of children, are borne cooperatively between sex groups. In a broader context, the institution of the *kliang* may be regarded as a territorially-specific bilateral unit, which functions to coordinate and supervise relationships between the sex groups.



# CHRONICLE

## MAY

### INTERNAL AFFAIRS

On May 1, Minister of Defence/Commander of the Armed Forces, General M. Panggabean, warned that the communist victory in Indochina would boost the morale of the remnants of the Indonesian Communist Party. The people, Gen. Panggabean urged, should increase their vigilance against all possibilities for subversion and infiltration. The Development Cabinet's programme, he continued, must be carried out successfully and national resilience must be enhanced by a wider and deeper understanding and acceptance of Pancasila.

On May 3, Naval Chief of Staff Admiral Soebijakto officially established the Western and Eastern naval regions (*Eskader*) and appointed Admirals Mardiono and Andang Safaat respectively as the regional commanders.

On May 4, a major market (*Pasar Jawa*) in Padang was destroyed by fire. The estimated losses included some Rp. 1,150,000 worth of buildings and goods worth about Rp. 2 billion.

The Islamic organization Nahdatul Ulama (NU) held a major conference in Jakarta from the 5th to the 8th May. The conference, attended by delegates from all corners of Indonesia, adopted as its theme: "Consolidate the Participation of the N.U. Community in the Development of a Nation that is Religious, Scientific, and Dedicated".

The Economic Stabilization Council met on May 6 to discuss financial issues, industrial affairs, and street signs.

In Medan, on May 7, the Commander of Defence Region I, Lt. Gen Poniman, declared that 1975/76 would witness an increase in the level of subversion, infiltration and other illegal activities. Attempts to discredit the government and to provoke conflict among religious groups were also likely to increase, declared Gen. Poniman.

A workshop on the subject of non-school education and the development of the younger generation was held in Jakarta from May 12 to 16. The workshop sought to devise an operational programme to relate non-school educational activities more directly to the overall development effort.

On May 12, the Government introduced revised regulations concerning timber and forest exploitation. The regulations require wholly and partially foreign-owned companies in the timber and forestry sector to transfer at least 51% of their shares into the hands of national companies.

On May 19, the Minister for Internal Affairs installed Major General Aang Kunaefi as the new Governor of West Java.

The Economic Stabilization Council, under the leadership of the President, met on May 20 and discussed the entry into Indonesia of luxury vehicles, financial affairs, the stabilization of the price of rubber, the distribution of fertilizer, and the postal payment of pensions.

On May 22, President Soeharto paid a visit to East Java to officially open five new Technical Education and Training Centres and a Technical High School. The President also visited a number of development projects in the region and inspected flood affected areas.

On May 23, Minister for Internal Affairs, General Amirmachmud, called for enhanced national vigilance and said that appropriate steps to improve national resilience were required.

In Bandung on May 26, the Chief of Military Police of the Sixth Military Region/Siliwangi, Provost Colonel F. Samallo, announced that a network for smuggling illegal Chinese immigrants into Indonesia from Hongkong and the People's Republic of China had been successfully broken up by the authorities.

A Seminar on "Law and Population" was held between May 26 — 30 in Yogyakarta with the purpose of discussing means to apply legal procedures more effectively in the implementation of population policy.



Between the 29th and 31st May, a Seminar on "The Strategy of Fostering the Development of National Private Enterprise" was held in Jakarta. The Seminar, organized jointly by the Indonesian Chamber of Commerce (*KADIN*), the Centre for Strategic and International Studies (*CSIS*), and the State Administration Institute (*LAN*), was attended by 150 participants, including prominent government officials, businessmen, and academics.

## INTERNATIONAL RELATIONS

Between April 30 and May 3, New Zealand Defence Minister, Mr. W.A. Fraser, visited Indonesia to discuss defence cooperation between the two countries and New Zealand assistance to Indonesia in dealing with the threats of Communism.

In Bangkok on May 2, a meeting of ASEAN Ambassadors reached agreement on simultaneous recognition by ASEAN states of the new government in Saigon. Diplomatic recognition, it is hoped, will be followed by the establishment of cooperative relationships between Saigon and ASEAN members.

From May 3 to 8, a West German Parliamentary Delegation under the leadership of Dr. Herman Schmitt visited Indonesia to discuss West German — Indonesian relations with Indonesian leaders.

Between the 5th and 11th May, a delegation from the Namibia Council, led by Dr. Rupiah Bwezani Banda, visited Indonesia to seek Indonesian support for the liberation struggle of the people of Namibia.

In Jakarta on May 6, Foreign Minister Adam Malik announced that current developments in Indochina facilitated the realization of the declaration of Southeast Asia as "a zone of peace, freedom and neutrality".

In Kuala Lumpur on May 7, the 31st meeting of ASEAN Secretary Generals discussed the ASEAN annual report and the agenda for the forthcoming Foreign Ministers Conference.

The 9th world oil congress met in Tokyo from 11th — 16th May. Attended by 5,780 experts from 68 oil-producing and oil-consuming nations, the congress discussed questions of oil supplies and the effects of oil on the environment. Indonesia was represented at the Congress by Dr. Ibnu Sutowo.

The 17th IGGI conference was held in Amsterdam on May 12 — 13 and was attended by: U.S.A.; Australia; Austria; the Netherlands; Belgium; Denmark; Indonesia; Great Britain; Italy; Japan; West Germany; Canada; Norway; France; New Zealand; and Switzerland. The session resolved to provide US\$ 3 billion to Indonesia.

The 8th ASEAN Foreign Ministers Conference took place in Kuala Lumpur from 13th — 15th May and considered political and economic issues, including recent developments in Indochina and the prospects for Southeast Asian neutralization.

The Fifth Seminar of the Pacific Basin Economic Council (PBEC) was held in Jakarta from May 18 - 23. Representatives attended from the banking, industrial and mining sectors of each member state (U.S.A., Australia, Canada, Japan, New Zealand) and Indonesian participants also took part. The Seminar considered regional economic cooperation and world economic issues.

On May 19th, Minister of Justice Prof. Dr. Mochtar Kusumaatmadja SH stated that the Geneva Conference on the Law of the Sea had so far not been able to reach agreement on any specific new conventions. The Conference had so far succeeded only in agreeing upon a "unified text" which covered the main issues under consideration. Indonesia, Fiji, the Philippines and Mauritius, together with other countries that supported the "archipelago concept" had agreed upon a united concept and had drafted a single negotiating text.

An international Tin Conference held in Geneva during the period May 20 to June 20 considered problems relating to the renewal of the international tin agreement, including reserve stocks, base prices, and principles governing the release of tin reserves. The Indonesian delegation to the conference was headed by the Minister for Mining Prof. Dr. Moh. Sadli.



A Symposium on the subject of "A New International Economic Order" was held at The Hague from 23rd to 29th May. The Symposium was attended by officials, politicians, and experts from 70 states. Indonesia was represented at the Symposium by Prof. Dr. Emil Salim.

From May 25 to 28, Dr. Philip Habib, Assistant to the U.S. Secretary of State, visited Indonesia to discuss bilateral relations and recent developments in Indochina.

From May 26 to 31, the President of India, Fakhruddin Ali Ahmad, paid a goodwill visit to Indonesia.

## JUNE

### INTERNAL AFFAIRS

On June 2, President Soeharto conferred with the Minister for Research, the Minister for Agriculture, and the Minister for Restructuring of the State Apparatus, to review plans for the holding of a seminar on land utilization problems.

On June 3rd, the Economic Stabilization Council met under the leadership of the President to discuss financial affairs, the implementation of local and village aid programmes, industrial affairs, and the Indonesian contribution to the forthcoming U.N.O. sponsored conference on "A New International Economic Order".

Also on June 3, the position of Commander of Military Region VIII/Brawijaya was handed over to the new incumbent, Brigadier General Witarmin, by his predecessor, Major General Widjojo Sujono.

On June 4 the House of Representatives passed into law a bill providing for alterations to the 1974 — 75 Budget. Government income was estimated to have increased by Rp. 408,409 million (Rp. 390,263 million in the category "routine income", and Rp. 18,146 million in the category "development income"). Government budgetary expenditures was estimated to increase by Rp. 400,629 million, comprising

increased "routine" expenditure of Rp. 54,512 million and increased "development" expenditure of Rp. 346,117 million.

On June 5, Lt. Gen. Yoga Sugama, Head of State Intelligence Coordination Body (BAKIN), announced that the Government was drafting a Bill on the subject of narcotics. Narcotics abuse by Indonesian youth represented a serious problem because of the opportunities it provided for subversive elements to seek to discredit the Government by encouraging the children of senior officials to use narcotics.

On June 7, the Vice-Commander of the Armed Forces, General Surono, installed Major General Widjojo Sujono as Commander of Defence Region III (Sulawesi, East and South Kalimantan). The position was previously held by Lt. Gen. A.J. Witono.

On June 10, President Soeharto chaired a meeting of the Council of Political Stabilization and National Security. The meeting urged that all parties to the debate in Parliament over the Bill on Parties and Golkar seek to reach a consensus in order that the Bill be passed into law as soon as possible to provide the basis for the implementation of the next elections. The meeting also considered the subject of the Regional Leadership Councils (*Musyawarah Pimpinan Daerah — MUSPIDA*), and expressed the hope that the MUSPIDAs would improve the current levels of coordination, synchronization, and integration among government agencies at the regional level.

On June 11, the Minister for Religion, Prof. Dr. H.A. Mukti Ali, explained to a session of the Committee IX of Parliament that the Departments of Religion and of Education and Culture had recently completed drawing up a new religious instruction curriculum for schools at all levels. The new curriculum, said the Minister, would come into operation at the beginning of the 1976 school year.

On June 12, Drs. Sjahrir was found guilty on charges of criminal subversion and sentenced to 6½ years imprisonment. On the same date, three persons held in detention since January 1974 in connection with the so-called "15th January Affair" were released; they were Rahman Tolleng, Dr. Marsillam Simandjuntak, and Henk Tombokan.



At a press conference on 14 June, Chief of Staff of the Command for the Restoration of Security and Order (KOPKAMTIB), Admiral Sudomo, warned that strong measures would be taken against juvenile gangs and persons exceeding the fixed speed limits.

On 17th June, President Soeharto chaired a meeting of the Economic Stabilization Council. The meeting considered questions relating to national and foreign investment, the utilization of aid from Saudi Arabia, and Inpres funds.

Addressing an Islamic youth gathering in Surabaya on June 21, KOPKAMTIB Chief of Staff, Admiral Sudomo, requested that the Islamic youth organizations ANSOR, FATAYAT, and IPNU participate in safeguarding national stability and strive to continually renew their stances within the context of the latent threat posed by the Indonesian Communist Party (PKI). The Admiral warned that communist doctrine did not recognize the terms "defeat" or "victory" but only periods of relative success or failure — Mao Tse Tung taught the principle "two steps forward, one step backwards".

On June 23 the "Committee of Five", under the Chairmanship of M. Hatta, completed its task of drafting an elaboration of the five principles comprising Pancasila. Lt. Gen. Ali Moertopo, Assistant Head of BAKIN, said that the Pancasila did not recognize confrontation as a means for setting disputes, nor did it recognize compromise with different ideologies.

On June 24, the President chaired a meeting of the Cabinet committee on public welfare. The meeting ruled that the celebrations of the 30th Anniversary of Indonesian Independence should be organized so as to provide the widest possible opportunity for participation by all sectors of society. The meeting also decided that all official documents, such as Citizen Registration Cards etc., should provide space for the category "Faith in the One God" as well as the present category "Religion", and that business enterprises should be obliged to participate in old age insurance schemes.

On June 24, the Minister for Manpower, Transmigration and Cooperatives, Prof. Dr. Subroto, stated that the BUUD/KUD programme and other similar functional cooperative

programmes were successful in economic terms but had failed ideologically and socially.

The President met with party and Golkar leaders in the Presidential Palace on June 25 to discuss the status of the draft law on "Political Parties and Golkar". The party and Golkar leaders assured the President of their willingness to finalize Parliamentary discussion of the bill and to pass it into law before 17 August 1975.

On the 25th June, the President issued instructions for the establishment of a Committee to draw up an inventory and evaluation of Indonesian natural resources.

Addressing a working meeting held within the Department of Information between 23rd and 29th June, the Deputy Head of BAKIN, Lt. Gen. Ali Moertopo, stated that the provision of information functioned as an element in the process of development and the building of national resilience, as well as providing for social responsibility by means of communication.

## INTERNATIONAL RELATIONS

In Manila on June 4, the Indonesian Ambassador to the Republic of the Philippines, Sri Bimo Ariotedjo, together with Filipino Foreign Minister, Carlos Romulo, signed an agreement providing for cooperation between the two countries in a wide variety of fields, including technical, trade, information, forestry, fisheries and copra.

The 9th session of SCCAN was held in Kuala Lumpur on the 6th and 7th of June under the chairmanship of Indonesian Minister of Trade Drs. Radius Prawiro to consider the establishment of a joint ASEAN - EEC study group.

An Indonesian delegation attended an OPEC meeting held in Libreville, Gabon, from 9th — 11th June. The meeting decided to postpone further increases in the price of oil and to replace the US dollar with the IMF's "gold paper" (SDR) as the currency for oil purchase payments.



A conference of experts from the Association of Natural Rubber Producing Countries was held in Jakarta on June 11 — 13 to consider the drafting of a natural rubber price stabilization agreement.

From June 11. — 14, the Prime Minister of Thailand, Kukrit Pramoj, visited Indonesia to hold discussions with President Soeharto regarding measures to broaden the role of ASEAN and to intensify economic cooperation among ASEAN members.

On the 16th June a joint naval exercise was conducted in the Celebes Sea between units of the Indonesian and British navies.

On June 16, Chief of the Indonesian Police Force, Lt. Gen. Drs. Widodo Budidharmo, reported to the President on the results of a meeting held in Paris of the Interpol Executive Committee. The main issues discussed at the Paris meeting were the smuggling of narcotics and the taking of hostages as a criminal tactic.

The World Food Council assembled in Rome from the 23rd to the 27th June to consider, among other issues, the funding of agricultural development, short term financial aid to countries experiencing serious food shortages, world food production and world food reserves. The Indonesian delegation was led by the Minister for Agriculture, Prof. Dr. Thojib Hadiwidjaja.

A joint exercise was conducted in the Java Sea from June 25 — 28 by units of the Indonesian and New Zealand navies.

From June 26 to 29, President Soeharto visited Iran to discuss bilateral relations and the international situation.

On June 26, Indonesia officially recognized Mozambique, which achieved independence on June 25, 1975.

An ASEAN - EEC meeting was conducted in Brussels on June 26 and 27 under the joint chairmanship of the Indonesian and U.K. Minister of Trade, Drs. Radius Prawiro and Sir Christopher Soames respectively. The meeting officially established an ASEAN - EEC study group to inquire into various aspects of ASEAN - EEC Cooperation, the development of Multilateral Trade Negotiations under the auspices of GATT, and the lowering of import duties.

## JULY

## INTERNAL AFFAIRS

On the occasion of the 29th Anniversary of the founding of the Indonesian Police Force, Chief of Police Lt. Gen. Drs. Widodo Budidharmo stated in Jakarta on July 1 that the two primary duties of the Indonesian Police were: to maintain and improve internal security against disturbances from the remnants of the 30th September Movement/Indonesian Communist Party and other subversive elements; to continually improve national stability in the interests of development.

From July 3 to 14 the Special Parliamentary Committee on the Parties and Golkar Bill met and succeeded in reaching agreement on the question of party and Golkar organization and the principles to govern the functions, rights and obligations of the parties and Golkar.

In Jakarta on July 7, the Deputy Head of BAKIN, Lt. Gen. Ali Moertopo, said that national private enterprise banks needed to improve their quality and to broaden the scope of their activities within the overall development process.

A Conference of GUPPI (*Gabungan Usaha Perbaikan Pendidikan Islam Indonesia* — lit: Joint Efforts for the Improvement of Islamic Education in Indonesia) was held in Malang, East Java, on July 7 — 11. The Conference agreed upon a Constitution, internal rules, a work program, and a new leadership board.

In Ujungpandang, South Sulawesi, on July 9 — 12, the Association of Indonesian Economics Graduates held its 7th Annual Congress. The Congress put forward a number of proposals concerning economic development policy, and appointed Prof. Dr. Emil Salim as General Chairman for 1975 — 78.

In Jakarta on July 15 the Economic Stabilization Council met and discussed the development of cooperatives, and economic and financial issues.



A special guided missile team from the National Air Defence Command successfully launched two missiles at Tangerang, West Java, on July 15. The launchings were part of a guided missile development programme.

On July 16 the Director General of Internal Trade, J. Muskita, announced several new measures taken by the Government to overcome problems caused by the decline in copra prices.

In Jakarta on July 19, the Attorney General Ali Said announced that there were strong reasons to suspect that the recent distribution of illegal pamphlets in various parts of the country was the work of ex-Indonesian Communist Party agents and was intended to provoke public unrest. The Attorney General called for increased public vigilance.

On July 19, the Assistant Attorney General for Intelligence, Subari S.H. said that 3,000 cases of illegal entry and falsification of citizenship documents had been uncovered in Sumatra. Those primarily responsible, he revealed, were overseas Chinese.

In Surabaya on July 19, the Commander of Military Region VIII/Brawijaya, Major General Witarmin, explained some means to overcome the Chinese problem in Indonesia.

A National Conference of the All-Indonesian Islamic Leaders Council (*Majelis Ulama se Indonesia*) was held in Jakarta on July 21 — 27. The Conference, attended by 150 participants, agreed upon an 11 point set of guidelines, selected a national organizing committee, drafted a work programme, and produced a number of suggestions for ensuring religious harmony in Indonesia.

On July 22, the Political and Security Stabilization Council met in Jakarta and considered the issue of the distribution of income and wealth between the economically strong and the economically weak, the problem of illegal Chinese re-entry, and preparations for the forthcoming conference of ASEAN heads of state.

In Pandaan, East Java, on July 23 — 26, the 8th National Conference of the Indonesian Association of Judges discussed the theme: "Increase IKAHI Participation in Development".

Attended by 300 participants, the Conference appointed a new central organizing committee for 1975 — 78 and proposed, among other things, that the Government withdraw regulations PP No. 49/1963 and PP No. 49/1960.

In Jakarta on July 28, the General Chairman of the All-Indonesia Fisherman's Association (*Himpunan Nelayan Seluruh Indonesia — HSNI*), Soegiarto, urged the Government to introduce a law governing sea fishing in order to protect the interests of traditional fishermen from the increasingly widespread use of the commercial fishing technique known as "*pukat harimau*".

On July 29, the Special Parliamentary Committee on the Parties and Golkar Bill met with Government representatives and agreed upon a draft of clause 4 concerning the basic principles and goals of parties and Golkar.

At a full Cabinet meeting on July 29 it was decided to postpone further imports of rice, fertilizer and textiles and to increase copra exports. President Soeharto announced that the theme for the 30th Anniversary of Indonesian Independence would be "Successfully Carry Out National Development with the Achievements of the Struggle of 1945 as Our Capital".

## INTERNATIONAL RELATIONS.

President Soeharto visited Yugoslavia on June 30 — July 2, where he held discussions with President Joseph Broz Tito concerning bilateral relations, non-bloc cooperation, and science. Yugoslavia agreed to provide US\$ 80 million for the construction of 4 electricity plants in Indonesia.

From July 2 to 5, President Soeharto and entourage visited Canada, where talks were held on the current situation in Southeast Asia and the prospects for a New International Economic Order.

On July 4, Deputy Commander of the Armed Forces, General Surono, officially farewelled the replacement Indonesian contingent, "Garuda VIII", to the U.N. Middle East peace-keeping force.



On July 5, President Soeharto and President Ford held unofficial discussions at Camp David. Among the topics discussed were the law of the sea, and the international economic and political situation.

From July 6 to 9, President Soeharto was in Japan on an unofficial visit to explain Indonesia's policy of seeking to strengthen her economy and heighten her national resilience prior to the normalization of relations with the People's Republic of China and the states of Indochina. The President also urged Japan to take steps to redress the trade imbalance between the two countries.

In Tokyo on July 7, the Indonesian representative, Ir. Soehoed, together with 12 representatives from the Japanese industrial group, signed the agreement on the Asahan project.

On July 9, while on his way back to Indonesia, President Soeharto said that Indonesia needed Pancasila fanaticism in confronting communism in Southeast Asia.

A meeting of ASEAN officials held in Kuala Lumpur from 9th — 11th July agreed to establish a Temporary Secretariat to handle the formation of a Consumers Protection Board.

In Jakarta on July 12, France and Indonesia signed a loan agreement for the financing of the purchase from France of \$ 334,5 million worth of telecommunications equipment.

On July 12, Foreign Minister Adam Malik led an Indonesian delegation to attend the Islamic Foreign Minister's Conference at Jeddah.

In Wellington, N.Z., from 14th — 18th July, 5 ASEAN Secretary Generals met with New Zealand's Assistant Foreign Minister Joseph Walding to discuss the implementation of the NZ — ASEAN cooperation agreement.

ASEAN officials met in Kuala Lumpur on July 18 — 20 and agreed to establish Temporary ASEAN Secretariat for Consumer Protection to function as an information centre.

The 2nd ASEAN — CCI Conference was held in Kuala Lumpur on 19 — 20 July and was attended by 120 participants. The conference produced 7 work programmes for the period 1975 — 77.

The 9th meeting of senior ASEAN officials took place in Medan from July 22nd to 23rd under the chairmanship of the Indonesian National Secretary, Oemarjadi Njotowijono, to consider preparations for a discussion on natural rubber.

The 3rd ASEAN — Japan forum on synthetic rubber was held in Medan on July 24 — 26. It was agreed to hold the 40th forum in Japan in 1976.

In Jakarta on July 23, Foreign Minister Adam Malik informed the Head of the Representative Office of the Temporary Revolutionary Government of the Republic of South Vietnam, Chan Pong, that Indonesia supported the entry of both Vietnams into the United Nations.

A meeting of the Indonesia — Pakistan Economic and Cultural Cooperation Commission (IPECC) took place in Jakarta on July 24 — 26 and was attended by 37 Indonesian and 9 Pakistani representatives. The Indonesian delegation was headed by Foreign Minister Adam Malik, while the Pakistani delegation was led by the Pakistani Minister for Communications, Muntaz Ali Bhutto. It was agreed to intensify cooperation in the fields of trade, technical exchange, sea communications, education and culture.

In Jakarta on July 25, the U.K. Ambassador, Archibald Ford, delivered notification of the new British policy on aid to Indonesia.

The annual consultation on international developments between the Governments of India and Indonesia was held in New Delhi from the 28th July to the 2nd August. On the 29th July in New Delhi, Indian Foreign Minister Yeshwantrao Chavan and Indonesian Foreign Minister Adam Malik signed a new bilateral trade agreement. The two Ministers agreed to explore further possibilities for Indian — Indonesian co-operation in the field of civil aviation and for Indian investment in various Indonesian industrial projects.

A Symposium on the Future Development of Housing and Environment in the Developing Countries was convened in Jakarta from 28th — 31st July. The Symposium was attended



by 235 participants from within Indonesia and 40 participants from abroad, and was designed to assist in the preparation of national policies and the formulation of an Indonesian report to the U.N. on the subject.

The Asian Coconut Society met in Bangkok from July 28 — 31 to discuss the work programme for 1975 — 78. The meeting was attended by representatives from 12 member countries, including Indonesia.

The 2nd Japan — ASEAN Economic Cooperation Conference took place in Manila on July 29 — 31 to consider means to broaden the basis for economic cooperation. The Philippines' Minister for Industry, Vincente Paterno, stated that ASEAN sought to avoid foreign economic domination of the region.

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